Austria Sch 20	Indonesia Rp 2500	Philippines Pes 20
Bahrain Din 0.650	Israel NS 3.50	Portugal Esc 90
Belgium BFr 45	Italy L 1500	S. Arabia Rls 6.00
Canada C$1.00	Japan Y 500	Singapore S$ 4.10
Cyprus C£0.70	Jordan Fils 500	Spain Pta 125
Denmark Dkr 8.00	Kuwait Fils 500	Sri Lanka Rup 30
Egypt E£1.60	Lebanon £1.25	Sweden Skr 7.00
Finland Fmk 6.50	Luxembourg LFr 45	Switzerland SFr 2.20
France Fr 6.00	Malaysia Rgt 4.25	Taiwan NT $65
Germany DM 2.20	Mexico Pes 300	Tunisia Din 1.375
Greece Dr 80	Morocco Dh 6.00	Turkey L 350
Hong Kong HK$ 12	Netherlands Fl 2.75	U.A.E. Dh 6.50
India Rup 15	Norway Nkr 7.00	U.S.A. $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

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US tries carrot and stick on Chile, Page 4

World news

Dumped refugees 'each paid $3,000'

More than 150 Sri Lankan refugees found adrift in lifeboats off Newfoundland paid $3,000 each to be taken to a new home in Canada or the US but instead were dumped at sea, one of the castaways said.

He said they had paid an Indian agency for passage aboard a ship, which was either from China or Korea.

The unidentified man, in his late 20s, said he and his compatriots were put in two lifeboats and left about 10 miles off the south-eastern coast of Newfoundland a week ago.

Moscow talks end

A team of senior American arms experts left Moscow after two days of talks considered by the Reagan administration to be crucial to preparations for a second superpower summit later this year. Page 2

NZ out of Anzus

The US and Australia suspended New Zealand from the three-nation Anzus Pact because of its anti-nuclear stance. Page 12

Aeroflot for Beirut

The Soviet airline Aeroflot resumes regular flights between Moscow and Beirut today after a break of almost a year.

Lebanese battle

Three Shia militiamen were killed and 17 French soldiers from the UN Interim Force in Lebanon were injured when they clashed in a fierce gun battle. Page 2

Pakistan opposition

Pakistan opposition parties and their main leader Benazir Bhutto decided to defy a ban on political rallies during tomorrow's Independence Day, setting the scene for a confrontation with the government.

US army defector

A US army private who has defected to Cuba is a qualified pathologist who was confined to mopping floors at an army hospital in West Germany, according to medical sources in Bonn.

Anti-cocaine drive

Colombian and Peruvian police are preparing a joint drive to eradicate cocaine laboratories along the Amazon Jungle border.

UN chief recovers

UN Secretary-General Javier Perez de Cuellar, who had a quadruple heart bypass operation less than three weeks ago, is recovering well.

English dock hit

Felixstowe docks in eastern England is working at half capacity after the Danish container vessel Falstria, being towed in by a tug, wrecked a crane and damaged the quay.

Sydney bets off

The government of New South Wales cancelled a contract with an Australian-American consortium to build the world's largest casino after what it called an "adverse" police report on the partners. Page 4

Chess game drawn

Soviet grandmasters Garry Kasparov and Anatoly Karpov agreed to draw the adjourned sixth game of their world chess championship match. The score is 3-3.

Cricket result

England were beaten by eight wickets in the second Test at Trent Bridge, Nottingham. The score was: England 256 and 230, New Zealand 413 and 77-2.

Costa del sweltér

A million residents and tourists on Spain's Costa del Sol were without water when the main supply pipe burst in sweltering heat.

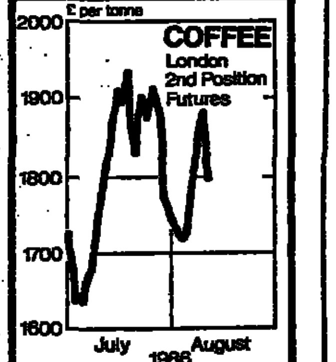
Business summary

Unilever profits rise to £513m

UNILEVER, Anglo-Dutch consumer products group, disclosed pre-tax profits of £513m ($760m) for the first half of 1986, well above expectations and £80m up on 1985. Lex, Page 12; Results, Page 18

WICKES, US building products group, increased its bid for Owens-Corning Fiberglas to $74 per share making the offer worth $2.1bn. Page 13

COFFEE dropped sharply in the London futures market with the November position closing £85 down at £1,797.50 a tonne. The fall, sparked off by an overnight downturn in New York, was attributed to a technical selling in reaction to the rally in coffee prices in the last two days. Page 24



WALL STREET: The Dow Jones industrial average closed 24.33 up at 1,835.49. Page 32

LONDON: Strong buying in gold and platinum-related issues petered out, but revived interest rate hopes provided impetus for equities. Gilts were confident with longs nearly a point higher. The FT ordinary share index gained 13.3 to 1,242.0 and the FT-SE 100 rose 15.4 to 1,558.2. Page 32

TOKYO: A spate of buying drove prices sharply higher. The Nikkei average added 315.58 to 17,794.69 – the second largest rise on record. Page 32

DOLLAR rose in London to DM 2.0775 (DM 2.0605); SFr 1.6790 (SFr 1.6560); FFr 6.7525 (FFr 6.6900), and Y154.70 (Y153.75). On Bank of England figures the dollar's index rose to 111.1 from 110.6. Page 25

STERLING fell in London to $1.4845 ($1.4865). It rose to DM 3.0850 (DM 3.0625); SFr 2.4925 (SFr 2.4625); FFr 10.0250 (FFr 9.9450), and Y229.50 (Y228.50). The pound's exchange rate index rose 0.3 to 71.4. Page 25

GOLD fell $2.75 to $385.25 on the London bullion market. It also fell in Zurich to $384.5 from $389.50. In New York, the Comex December settlement was $392.40.

ADVANCED MICRO Devices, US semiconductor group, is to abandon its "no job cuts" policy in October and will dismiss 200 short-term workers this week. Page 14

VEBA, West German energy conglomerate in which the Bonn government hopes to privatise its 25 per cent shareholding next year, reported after-tax first-half income of DM 303m ($146.2m) against DM 295m in the same period last year. Page 13

LIBYAN ARAB Foreign Investment Company (Lafico), which holds a 15 per cent equity stake in Italy's Fiat group, said Libya had no plans to sell its shareholding and declared a desire to buy more shares in the Turin-based group. Page 13

QUAKER OATS, US food, toys and retailing group, said it was putting up for sale its retailing business in order to focus more closely on its US grocery and Fisher Price toy operations. Page 13

HYDRO-QUEBEC, Province of Quebec's electric utility and Canada's second largest company in terms of assets, has become the first corporate borrower to issue perpetual debt in the Euromarkets. Page 12

Oil prices jump after Iraq hits 5 tankers off Iran

BY RICHARD JOHNS AND LUCY KELLAWAY IN LONDON

OIL PRICES rose sharply yesterday after Iraqi aircraft struck five tankers off Sirri Island, Iran's vital trans-shipment centre for its oil exports, in an attack regarded by analysts as a significant escalation of the Gulf conflict.

Three of the vessels – the Azarpad, the Ventura and Kleila – were set ablaze, according to one marine agent. The other two, the Venture and the Mississipi, sustained minor damage, while about a dozen other tankers in the area scattered in the wake of the first Iraqi raid on the southern Gulf facility, which could mark serious disruption of Iranian exports.

Oil prices reacted promptly to the news. In the US the price of West Texas Intermediate rose by nearly $1 to about $15.70 by mid-afternoon, while in the UK, Brent closed 57 cents higher at $13.90.

Although the price movement is modest compared to the daily swings of several dollars seen at the beginning of last week, it is the first time in about a year that attacks in the Gulf have had a definite effect on prices.

"The way the market has chosen to react to the news may be even more significant than the news itself," Mr Peter Beutel, energy economist at Elders Futures in New York, said.

He said that the reaction was evidence of a generally more bullish feeling in the oil market. He gave a warning that future Gulf attacks could well be the trigger to send prices higher.

The attack came early yesterday, only a few hours after Baghdad was hit by a ground-to-ground missile, believed to be one of the Soviet-made Skud Bs supplied by Libya to Iran last year. It missed the Dawrah refinery, which was evidently its target.

Iran is now expected to intensify its efforts at retaliation through helicopters based on oil platforms off the islands of Abu Musa and Rostam. On Monday the Olympic Spirit, laden with Saudi crude south-east of Abu Musa, was hit and its steering compartment set on fire, in the third Iranian strike this month on Arab oil traffic in the southern Gulf.

Over the past few months the Iraqi Air Force has extended the range of its attacks on Iranian oil shipping by utilising the in-flight refuelling capability of the Mirage F-1 strike aircraft, supplied by France late last year, and the laser-guided AS 30 missiles, which have proved more effective than radar-seeking Exocets.

Two weeks ago several of the aircraft are known to have flown over Sirri Island. It is about 250 miles south-east of Iran's main export terminal at Kharg Island. Chartered super-tankers have been shuttling oil from Kharg to Sirri Island.

Diplomats and analysts are puzzled that Iraq has not demonstrated its power to bomb Sirri Island and vessels before, given the potential of F-1s based near Basrah and Nasiryah to reach the area by refuelling from over-load tanks on other aircraft of the same type.

The intensification of the campaign to blockade Iranian oil exports is probably accounted for by the massive build-up of Iranian forces – numbering some 600,000 men

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Commodities, Page 24

L'Air Liquide pays $1bn for US gas supplier

BY PAUL TAYLOR IN NEW YORK AND DAVID MARSH IN PARIS

L'AIR LIQUIDE, the French industrial gases group, yesterday agreed to acquire Big Three Industries, a leading US industrial gases supplier and energy equipment and services group, for $29-a-share or a total of $1.05bn in cash.

The deal marks a major expansion by L'Air Liquide into the US market and one of the biggest foreign acquisitions of a non-oil US company. L'Air Liquide said American Air Liquide, its US subsidiary, will "promptly" launch a cash tender offer for Houston-based Big Three's 36.3m outstanding shares, to be followed by a cash merger at the same price. The merger agreement is subject to 24.5m – 67 per cent – shares being tendered.

Big Three's share price immediately jumped $4⅞ to $29-a-share in heavy trading on Wall Street after the joint announcement, indicating investor confidence that the deal will be completed.

In an apparent attempt to lock-up the deal, Big Three said it had granted the French group an option to acquire 6.72m shares, or about 18.5 per cent, of the company at $24⅛-a-share under certain conditions. Two Big Three director-shareholders owning about 8 per cent of the stock have also granted L'Air Liquide an option to buy their shares under certain conditions at the tender price.

L'Air Liquide has built up a leading world role in industrial gases through steady, if unspectacular, growth in 55 countries.

The group, which has a reputation as one of the best managed and most discreet French companies, last year turned in net profits of more than FFr 1bn ($148m) on turnover of around FFr 20bn. Although details of the financing of the US operation were unavailable last night in Paris, it is likely that the group's negligible outstanding debt will enable it to find funds for the takeover without undue difficulty.

Big Three had sales last year of $834.2m and net profits, before unusual charges, of $56.8m, little changed from the previous year. The Group supplies industrial gases to the chemical, metals, energy, electronics, food processing and aerospace industries and ranks as the leading industrial gas producer in the gulf coast states.

However while its industrial gas profits have been surging, the company's overall performance has been held back by the soft energy market. Big Three provides equipment and services to oil and gas producers and ranks number five in the energy services industry

Overall its net profits peaked at $108.9m in 1981 but have since settled back to about half that level while sales have remained relatively flat.

The takeover is the largest in a series of important US operations by French companies.

Britain's TSB to discourage foreign applicants for shares

BY RICHARD TOMKINS IN LONDON

BRITAIN'S Trustee Savings Bank will discourage foreign investors from taking part in its offer for sale next month as part of an attempt to direct the issue towards employees, customers and small investors.

There will also be strict limits on the size of stake which any single investor will be able to acquire in the company after the flotation, which is expected to value the bank at about £1bn ($1.48bn). The maximum will be 5 per cent in the first five years and 15 per cent thereafter.

The TSB yesterday unveiled a package of special features which it said were designed to put its share offer within the reach of millions of people. About half the shares to be sold will be reserved for priority applications from staff and customers.

Foreign applicants will be discouraged by a requirement that applications have to be accompanied by a sterling payment drawn on a UK bank account. However, there will be nothing to deter foreign applicants who can meet this requirement, or anything to stop them buying in the after-market.

Mr Duncan Clegg, a director of Lazard Brothers, the merchant bank sponsoring the flotation, said part of the reason for this limitation was that the TSB was a peculiarly British institution with a British customer base.

"But with half the issue going to preferential applicants and the TSB seeking a wide shareholding base for the rest, we could be in danger of over-marketing the issue if we encouraged foreign investors as well. It's a big issue, but not that big."

The ceiling on maximum shareholdings is aimed at protecting the TSB from the attentions of predators, particularly during its early days on the market when the proceeds from the flotation will be an attractive cash pile. However, shareholders will be able to raise the 15 per cent ceiling in later years through a vote.

The package of measures aimed at attracting small investors to the flotation comprises three main elements:

- The minimum investment levels will be kept low, at £200 for priority applicants and £400 for the public. Payments will be in two equal instalments, the second in about a year's time, so priority applicants could become shareholders for a down payment of as little as £100.

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Defiant Botha puts party on poll footing

BY ANTHONY ROBINSON IN DURBAN

PRESIDENT P W Botha last night prepared the ruling South Africa's National Party for an early general election or a referendum. In a wide-ranging speech he called for increased self-sufficiency in the face of sanctions and condemned what he called intolerance towards South Africa by Western democracies.

In his keynote speech opening the federal congress of the party in Durban, he called on South Africans to reject the "international conspiracy" to make them feel guilty.

The struggle in South Africa was not between white and black, he said, but "between supporters of genuine freedom and stability and those who wished to force a socialist dictatorship of a small power clique on the country."

Mr Botha reaffirmed that his Government was "irrevocably committed to dialogue as part of the process of the broadening of our democratic institutions." He condemned "malicious attempts to discredit" his proposed National Statutory Council under which blacks would participate in top-level decision making.

He pledged that if these negotiations led to "drastic changes to our constitution" he would keep his promise to consult the voters and added: "Such consultation, whether by referendum or general election, could take place sooner than most people expect."

He added that he assumed that black leaders would also want to consult their followers and constituencies. But he said that the congress was not expected to take final detailed decisions on these matters, but should indicate guidelines.

Appealing to his followers "to shed the spirit of defeatism and doubt about the future of our country," Mr Botha added: "No one else has a plan or example which we can follow. The Afrikaner and all other white language groups have, as in the past, a key role to play in South Africa."

The bulk of the speech was delivered in a firm voice with few gestures. It ranged over South Africa's historical development and its unique characteristics as a multi-racial society embodying elements of both the first and the Third World. In one of the few new proposals, he suggested that greater self-government and autonomy should be giv-

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Boost for party morale, Page 3

Rising gold prices as a result of fears over sanctions are likely to improve South Africa's ability to survive international boycotts. Higher revenue not only would offset the loss of income on other exports, but also would help South Africa to make headway on reducing the burden of its foreign debt. Cloud with a golden lining, Page 12

World equities boosted by interest rate hopes

BY GEORGE GRAHAM AND STEFAN WAGSTYL IN LONDON

HOPES for an international round of interest rate cuts in September helped to sustain the past week's rally in stock markets around the world yesterday. Strong advances were recorded in Japan and in the UK, while shares in West Germany managed to hold on to the 6 per cent gains made in the two previous days.

Investors remained cautious about the timing of any interest rates cuts and were sceptical about the degree to which they would be co-ordinated by the leading central banks, Nevertheless, the hope that rates could resume their downward path helped to improve confidence.

The strongest surge came in Tokyo, where a 315.58 point gain took the Nikkei index to 17,794.69, within 1.5 per cent of the peak reached last month. Trading volume more than doubled from Monday to 830m shares.

In Europe, the Stockholm and Amsterdam stock market indices reached new highs. Renewed confidence in the outlook for domestic company profits added to the optimism created by thoughts of lower interest rates.

UK equities did not share in last week's rally, as a string of poor company profit announcements knocked stock market indices down by 3.5 per cent during the week. Yesterday, however, prices extended Monday's gains and the FT Ordinary share index closed 13.3 higher at 1,242.0.

Mr Stephen Lewis, chief economist at stockbroker Phillips &

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French to make blue movies bear cost of culture

By Paul Betts in Paris

FRANCE'S booming pornographic industry is to do its bit for the nation's heritage. Thanks to a surprise move by the right-wing National Front, blue movies and risqué magazines will be called upon to help to finance local museums.

The Front struck its blow for culture – and against what it called "the shame of our country" – late on Monday night just as parliamentarians were preparing to pack their bags for summer holidays.

It introduced a successful amendment to the government's local community financing and decentralisation bill, giving new fiscal concessions to local museums when they receive grants or donations. To offset the loss of Treasury revenues, Parliament decided to increase the value-added tax on pornographic magazines and films.

It is the first time that a National Front amendment has been approved by the National Assembly since the Front made its historic entry into the Palais Bourbon after winning 35 seats in elections last March.

The Front's attack on pornography was well timed. An explosion of blue literature, films and posters in recent months has given news magazines a plethora of summer cover stories.

The left-wing Nouvel Observateur displayed four naked women holding Japanese parasols, under the headline "The Erotic Invasion." Perhaps France was turning into an "all-sex society," it suggested.

The Front, apart from being a regular thorn in the side of the conservative government, had hitherto failed to persuade parliament to consider seriously any of its extreme proposals on law and order, immigration and other social issues.

But there was little the traditional parties of the right like the neo-Gaullist RPR and the centrist UDF could object to in the proposals to support local museusm and culture by taxing pornographers.

In tabling the amendment, Mr Francois Porteu de la Morandière, the Front's deputy for the Pas de Calais constituency, said pornographic films and magazines had become a national shame. At the same time, the Front argued that France had to defend its local culture and heritage.

Mr Jacques Chirac's Government, however, felt inhibited about giving the Front its unqualified support, saying it regarded the amendment "rather unfavourably" another way of saying it basically approved but did not want to be associated in any way with the Front.

CONTENTS

French broadcasting reforms come to a vote

BY PAUL BETTS IN PARIS

THE FRENCH Government's controversial broadcasting deregulation programme, which includes the privatisation of the country's oldest and largest state television network TF-1, was expected to win final parliamentary approval last night.

However, just before the debate was due to start in the National Assembly, the government tabled several amendments which introduced significant modifications to the final text approved by the mixed parliamentary commission of deputies and senators on Monday night.

It was a fitting climax to the four month long political controversy over broadcasting deregulation in France which has turned into a parliamentary soap opera of its own, provoking not only frictions between left and right but also serious upheavals inside the right-wing majority itself.

The broadcasting reform will lead to the creation of an independent regulatory commission called Commission Nationale des Communications et Libertes modelled on the US Federal Communications Commission; the privatisation of the TF-1 state network; the eventual privatisation of FR-3, the regional state television network; and the re-allocation of operating concessions for the two private commercial television networks, *the so-called Fifth and Sixth* Channels. It also includes gradual deregulation of some high value added business communications and telecommunication networks and France's direct television broadcasting satellite programme.

The measures have stirred up greater political passions in France than the Government's programme to privatise 65 state companies — approved by Parliament two weeks ago—because of the enormous political influence of television broadcasting.

They were drawn up by Mr Francois Leotard, the Culture and Communications Minister who is also head of the Republican Party and a potential right-wing candidate for the French Presidency. But he has found the passage of his bill heavy going.

Major amendments were made to his original text by right-wing senators, leading Mr Leotard to make a public outburst against his right-wing colleagues and Mr Jacques Chirac, the Prime Minister, claiming they were undermining his broadcasting policies. He also suggested that "cohabitation" inside the political right was far more difficult than "cohabitation" between the conservative government and President Francois Mitterrand.

The last-minute amendments tabled by the Government yesterday were not expected to hold up final passage of the law or delay the end of the current exhausting special session of parliament. However, they made prospects of a smooth final approval uncertain.

Among the changes proposed was one to abolish time limits on advertising during the screening of feature films. The senators, including many right-wing representatives, had fixed a limit of 5 per cent of the length of a film.

Although the Government appears to have won the overall agreement of its right-wing members on the broad lines of its reform, its programme has been bogged down by disputes on details of individual broadcasting regulations and on the constitution of the regulatory commission. The Socialists have threatened to take the broadcasting legislation before the Constitutional Council, the country's leading constitutional body.

Recent interventions by the Council forcing the government to modify some of its proposals has caused the Chirac administration increasing irritation. Mr Albin Chalandon, the Justice Minister, went as far as to suggest yesterday that its role should be perhaps reviewed.

Lebanese gun battle injures 17 Frenchmen, kills three militia

BY ANDREW WHITLEY IN JERUSALEM AND NORA BOUSTANY IN BEIRUT

AN OVERNIGHT gun battle in southern Lebanon yesterday injured 17 French soldiers of the United Nations Interim Force and killed three Shi'ite militiamen.

Another three militiamen from the Shi'ite Amal organisation were wounded in the often fierce fighting—the worst military confrontation in the south for over a year—which underlined the fragility of the relative calm in southern Lebanon.

Encouraged by the apparent stability prevailing in the border region since its military pull-back 14 months ago, Israel has recently been talking about encouraging investment in southern Lebanon as well as greater cross-border trade.

The fighting, which broke out late on Monday night at a French checkpoint east of Tyre, was the most serious incident involving Unifil forces since the Israeli withdrawal, a Unifil spokesman said. Amal gunmen surrounding the French zone used rocket-propelled grenades and heavy machine guns in night-long exchanges of fire.

A ceasefire was called for at midday yesterday, following orders from Mr Nabih Berri, the Amal chief and Lebanese Justice Minister to his men. The ceasefire took hold some two hours later, finally permitting the French to evacuate their wounded.

Fighting broke out on the *outskirts of the village of* Abassiyeh east of the port city of Tyre when a car carrying senior Amal officials refused to obey an order to stop and be searched. Mr Timor Goksel, the UN spokesman, said that Lebanese gunmen brandished their weapons at the French soldier manning the road block and tried to disarm him. Another French soldier, coming to his defence from a distance shot and killed Mr Ali Khalil, a local Amal commander, and his guard. The third Amal militiaman was killed in the subsequent fighting.

France had previously announced its intention to withdraw at least part of its 1,399-strong contingent serving with the Unifil peace-keeping forces since their original deployment in southern Lebanon in 1978. Prior to yesterday's incident, 18 French soldiers have been killed and an unknown number of others wounded while serving with the force.

● President Amin Gemayel's Phalange Party set up a five-man military cabinet yesterday to resolve an inter-militia power struggle to control Lebanon's Christian heartland, **AP reports from Beirut.**

A Phalangist communique said the group was placed under the direct authority of party chairman Mr George Saadeh, who was seeking a compromise between the warring wings of the Lebanese forces.

Gonzalez denies contacts with Eta

By David White in Madrid

THE SPANISH Government has not held any secret contacts with the Basque terrorists, and there will be no political negotiations with Eta, the armed Basque separatist organisation, Mr Felipe Gonzalez, the Prime Minister, said yesterday after meeting King Juan Carlos in *Palma de Mallorca.*

He was denying a series of reports in the leading Madrid daily newspaper, El Pais, claiming that government officials sounded out the possibility of a truce with the alleged leader of Eta-Militar, Mr Txomin Iturbe Abasolo, before he was expelled from France to Gabon last month.

According to the newspaper, the decision to expel Mr Iturbe, widely considered to be one of the Eta figures most disposed to a negotiated solution, was made only after it became clear that he would not bend to the Government's terms.

Madrid offered two years ago to negotiate a ceasefire with Eta, *while at the same time rejecting* any possible negotiation on the organisation's political demands. These include self-determination for the Basque country, inclusion of the province of Navarre and the withdrawal of Spanish security forces.

Mr Gonzalez said the reports had created "confusion" and could serve to "give oxygen to the terrorist movement."

The negotiation question has brought Madrid into confrontation with the centre-right Basque Nationalist Party (PNV), currently struggling to hold its ranks together after a setback in the June general election.

The PNV government in the autonomous Basque region has reaffirmed its policy of keeping open the option of "dialogue," while also formally ruling out "political" negotiation with Eta.

Herri Batasuna, the extremist party linked to Eta-Militar, said yesterday that negotiation with Eta was still possible despite the removal of Mr Iturbe. However, the Madrid Government clearly feels in no position to make conciliatory gestures after the outrage caused by recent Eta violence—especially last month's car bomb in Madrid, which killed 12 Civil Guards.

Some political observers believe the PNV may use the clash to break its two-year-old pact with the Socialists in the Basque parliament and thereby to force an early regional election. This, they say, would enable the PNV to pre-empt a possible splinter Basque nationalist movement led by the charismatic former head of the Basque government, Mr Carlos Garaikoetxea.

French growth

Economic growth picked up in the second quarter of the year boosted by strong internal demand, giving France a 2.3 per cent growth rate for the 12 months to June, the National Statistics Institute said yesterday, Reuter reports from Paris. GDP grew by 1.1 per cent after *failing to grow at all* in the first quarter and rising 0.6 per cent in the fourth quarter of last year.

Alan Friedman on the planned launch of a financial daily newspaper

An independent view of Italy Today

MARCO BORSA, the 43-year-old financial journalist who is about to launch an Italian newspaper, does not mince his words. *In the Italian financial world of sometimes deliberate obfusca*tion he says he dreams of achieving a rare thing in Italy: an independent newspaper.

The son and grandson of former correspondents for The Times of London, Mr Borsa resigned recently from his senior post at Il Sole 24 Ore, the pink-coloured financial newspaper which resembles the *Financial Times and which has* been thriving in recent years. With L32bn (£15m) of backing from the Milan-based Ipsoa trade publications group, he will edit Italia Oggi (Italy Today), an upmarket financial daily in tabloid format which is set to go on sale in November.

The staff is already in place — some 60 journalists poached from Il Sole, Corriere Della Sera, La Republica and elsewhere. The paper will have an initial run of 60,000 copies and hopes to break-even (120,000) copies within three years. Italia Oggi will have a minimum of 48 pages and a maximum of 64 from the start. But most of all, stresses the matter-of-fact Mr Borsa, it will be independent.

"All the big titles today are controlled by one group or another, companies or political parties. So the news coverage, especially in finance and industry, is frequently biased, very partial," says Mr Borsa. His maverick style even permits him to take a shot at his previous employer—"Il Sole is owned by Confindustria (the *employers' association) and is* an uncritical newspaper of the establishment."

This comment, although true of several other newspapers, may be a trifle exaggerated when it comes to the Il Sole now being produced under the editorship of Mr Gianni Locatelli. He has worked hard to avoid the influence of *companies which run Confindustria,* to the extent that some of Italy's biggest companies feel he is being too objective.

Many bankers and investors believe privately none the less, that Italy needs a less manipulated financial press. Says Mr Borsa: "Financial journalists in Italy are too often tied to the centres of financial power. They cannot, therefore, do their own job, which is to report and analyse objectively. Many of them simply serve big companies and not the public. There is too much corruption in Italian financial journalism. The situation has become acute."

Here, his hard-hitting comments do not appear far-fetched. The sad truth is that the rapid growth of Italian industry in recent years and the boom on the Milan bourse have created for journalists opportunities for personal gain which have not always been resisted.

Marco Borsa, reckoned by many *to be Italy's* finest financial journalist.

But how does the editor of Italia Oggi propose to vet his staff? Mr Borsa's answer is unequivocal: "I have told every journalist of mine that I will not tolerate militants either on behalf of political parties or of companies. If I find them *they will be sacked."*

But is there a market for a second Italian daily financial newspaper? Il Sole 24 Ore is doing so well that its circulation has doubled to 300,000 in two years and a book called "How To Read Il Sole 24 Ore" has sold 120,000 copies. Mr Borsa reckons that 80 per cent of his readership will be businessmen who also take Il Sole. "But we will not take *more than 10,000 readers away* in the early stages."

Mr Locatelli does not appear unduly concerned: "Marco Borsa is an excellent journalist, but competition is good for the system. Why shouldn't two papers co-exist?"

Mr Borsa is praised not only by his former editor, but also among many foreign bankers and businessmen in Italy who rate him as the country's best financial journalist. His career, which began in the late 1960s with Reuters in Milan, include stints at Readers Digest, Corriere Della Sera, La Stampa and numerous magazines.

Despite his outspoken attitude, however, Mr Borsa says he is not setting out to be aggressive, "just independent." Then, touching a most delicate area—the fact that the newspaper has awarded its advertising agency contract to Publikompass, a company controlled by Fiat—the tough-minded Marco Borsa responds that "I don't have any fear of that—the advertising agency can only manipulate when the editor is weak."

Weak is not an adjective to apply to Mr Borsa. He has a dream, but no illusions about the ambitious nature of his task. "We may flop, but if we do I will not go back to any other Italian newspaper, what would be the point?"

Doubt over progress at Moscow arms talks

BY CATHERINE REDDEN IN MOSCOW

A TEAM of high-level US arms experts left Moscow yesterday following two days of talks considered by the Reagan administratio nto be crucial to preparations for a second *superpower summit.*

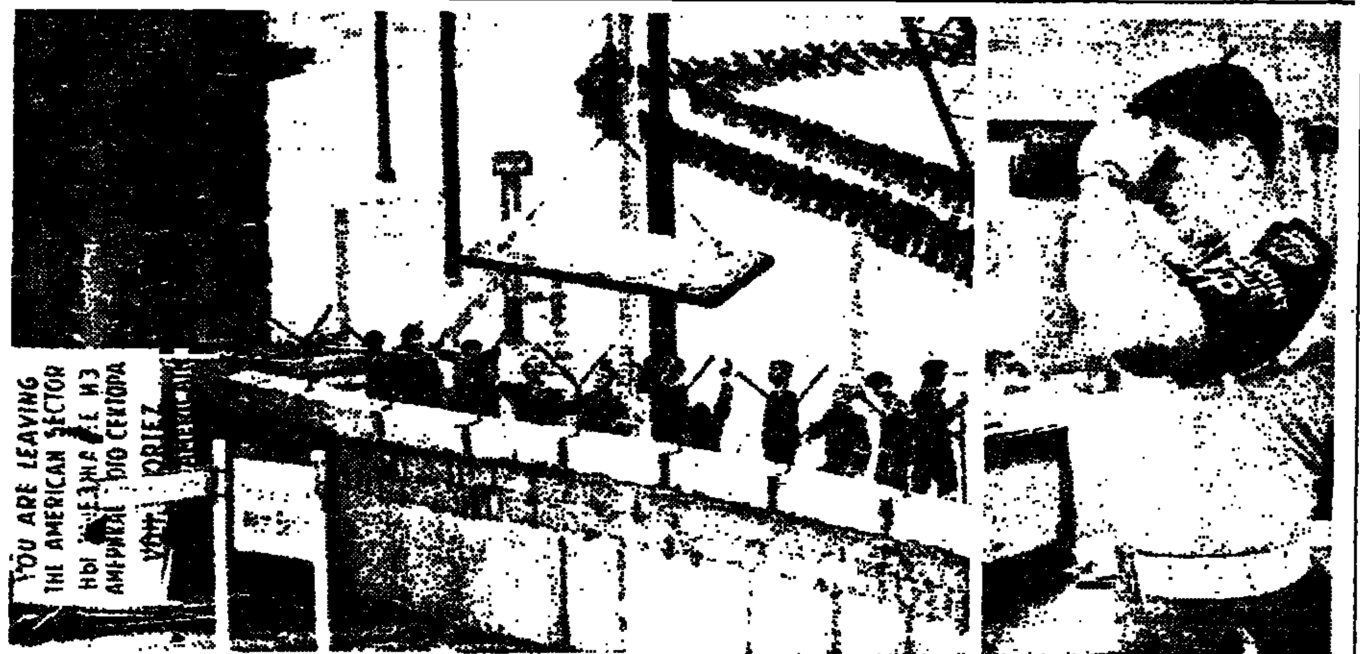
The Soviet Foreign Ministry spokesman, Mr Gennady Gerasimov, described the talks as "businesslike and a fair exchange of views," adding that they had centred on space-based weapons involved in the Star Wars programme and a nuclear test ban.. They were not aimed directly at the summit but had "been held within the framework of preparations for a meeting between Soviet Foreign Minister Edward Shevardnadze *and US Secretary of State* George Shultz."

The two men are to meet in Washington on September 19-20. The US State Department said they were expected to prepare for a summit between President Ronald Reagan and Mr Mikhail Gorbachev later this year.

A news blackout was imposed by both sides on the talks which began on Monday in a secluded country mansion outside Moscow However, in a brief comment to reporters, the Paul Nitze, who headed the US team, said the discussion had been "serious" but he hinted that little concrete progress had been made in Monday's opening eight-hour session. No final comment was given by the US side before their departure yesterday.

Mr Gerasimov also raised doubts about the progress in the talks, criticising statements from Washington that the Star Wars programme was not negotiable. "Some circles view *SDI as a* sacred cow and they are on guard. They do not want Reagan, the cowboy, to lose that cow," he said.

Both teams consisted of leading negotiators from the Geneva arms talks, which adjourned on July 31 reporting little narrowing of differences.



THEN AND NOW: The Berlin Wall, seen under construction on the left, is 25 years old today. More than 30,000 people have escaped over it since 1961 and 74 have died in the attempt. In the city itself, both sides have kept watch on one another —like this British soldier at Checkpoint Charlie—for every minute of that quarter century. In a message released by the US embassy in Bonn yesterday, President Ronald Reagan called the Wall proof of the failure of totalitarian governments. "Berlin's division, like Europe's, cannot be permanent," he said

Nakasone urged to visit shrine of war dead

By Jurek Martin in Tokyo

MR Masayuki Fujio, Japan's controversial new Education Minister, yesterday in effect urged Prime Minister Yasuhiro Nakasone not to be deterred from visiting on Friday the Tokyo shrine which commemorates the country's war dead.

In a lunchtime speech, Mr Fujio said Mr Nakasone should go to the Yasukuni Shrine "with confidence," regardless of what foreign nations thought about the militaristic symbolism of such an action.

Since taking office last month, Mr Fujio, a veteran politician long known to inhabit the far right of the ruling Liberal Democratic Party, has raised hackles in China and South Korea by suggesting that Japan did not have to be ashamed *of everything in its past,* including its invasions of the two nations.

Warming to the theme yesterday, he said that the Japanese themselves had become far too timid in looking back. The education system itself, he said, needed a rebirth of nationalism and a new emphasis on Japanese traditional values; parents should fly the rising sun flag over their homes.

It is still considered unlikely here that Mr Nakasone will go to the shrine on Friday, the anniversary of Japan's surrender in 1946, in his official capacity, though several of his cabinet ministers may do so. Mr Nakasone has visited the shrine in the past, but last autumn postponed another visit after strong protests from China in particular.

There is some nervous debate here over whether Mr Fujio is simply an ageing generational aberration, thrown up by political machinations to a position of authority, or whether he reflects, even if in cruder language than usual, a real resurgence in nationalism.

Japanese opposition in disarray

By Our Tokyo Correspondent

THE parlous state of opposition politics in Japan has been further underlined this week by developments affecting two of the minority parties.

The Japan Socialist Party, the second largest in the Diet, had the mortification of seeing a Monday deadline pass without any candidate filing to succeed the outgoing chairman, Mr Masashi Ishibashi.

Secondly, the New Liberal Club, which formed a coalition with the ruling Liberal Democrats from 1984 until last month's general elections, announced that it was going to disband itself and that its handful of MPs were going to rejoin the Liberal Democrat Party, with which it split 10 years ago.

Mr Ishibashi, a moderate, has announced his intention to resign because of his "responsibility" for the party's disastrous result in the election, when its Lower House representation dropped from 109 seats to 85, its worst performance to date.

His pending departure has re*opened a schism* which he had tried to mend between the doctrinaire left and the pragmatists. Mr Ishibashi had won some significant intra-party victories in his campaign to give the JSP a more moderate face, but his credibility and authority were gravely damaged by the electoral setback.

The New Liberal Club also suffered at the polls, ended with just eight MPs in both houses, down from a peak of 18 in 1976. The LDP's landslide victory instantly obviated the need for a coalition and left the NLC, a conservative splinter group which broke with its parent in 1976 in protest over the ruling party's "money politics," with no obvious raison d'etre.

Chinese gold smugglers undermine production drive

BY ROBERT THOMSON IN PEKING

THE Chinese Government's plan to encourage individual gold prospecting as part of national drive to increase production has been undermined by a sharp increase in gold smuggling, according to the state-run China Gold Company.

A company official complained that "if the individual panners turned all their products over to the state" national output would have been far higher than the 8.7 per cent increase reported in the first seven months of this year.

The China Daily reported yesterday that "various new measures" would be introduced to tighten control over individual miners and cited the case of 60,000 prospectors in the western province of Qinghai who have collectively turned in only 300 ounces of gold so far this year.

Peking last year raised the gold purchase price from 697 yuan to 895 yuan an ounce ($188.40-$241.90) in a bid to counter smuggling, but the gap between the state and world price remains a great incentive to smuggle.

The gold company official admitted the purchase price was still low compared to the world price, but said that the state had no immediate plans to narrow the gap, though he conceded that the price would have to be adjusted at some time in the future.

Government officials estimate that 180,000 Chinese farmers have turned gold prospector in recent years. About half of those are working individually and the rest are working in small mines owned by local governments and collectives.

There has also been something of a gold rush by Chinese consumers and domestic sales of gold ornaments have risen dramatically. Peking allowed sales to consumers in late 1982 after a 20-year ban; in 1983 sales amounted to 27m yuan ($7.3m), while last year's sales were worth 1.4bn yuan ($380m).

Warning on bankruptcies troubles Peking hardliners

BY ROBERT THOMSON,

THE Chinese Government's *decision to allow state-run com*panies to go to the wall in several cities has inspired a fierce debate among senior officials over whether the move is ideologically bankrupt—a debate particularly relevant to this central Chinese city after two factories here were issued with bankruptcy warnings this week.

An instruments factory in the northern Chinese city of Shenyang announced its bankruptcy earlier this month in what was the first case since Communist rule began in 1949, and in what was clearly an experiment to test the depth of financial feeling in the Communist Party.

Dead wood

Numerous senior party officials have yet to be converted to the reformists' drive to lop the dead wood from China's state-run corporate tree. A vice-mayor of Wuhan, Liu Zeqing, frankly admitted that there is much "argument" over these test cases, though it is his hope that "the argument will make things clearer."

The two Wuhan factories put on notice by the city's government are the Wuhan measuring and cutting tools factory and the Wuhan experimental cloth mill. Officially, they have no more than a year to turn their losses around.

However, Liu said the city was installing new managers at the threatened companies and it should be clear within a few months whether they can be salvaged. The tools factory has suffered losses for 11 of the 17 years it has been in operation, while the mill lost 255,000 Yuan (£47,000) in the first half of this year.

The fate of the displaced workers is a sensitive political issue. The two Wuhan factories employ a total of 1,500 people, far more than the already bankrupted Shenyang factory, which had 72 employees.

Relief fund

The Shenyang workers will rceive 75 per cent of their wages during the next six months, which will be replaced by a relief fund of about 30 yuan a month if they are still unemployed. The average wage for urban employees is about 80 yuan a month.

Three cities, Wuhan, Shenyang and Chongqing, in the south-west, have been chosen to test a proposed bankruptcy law. A draft of the law was presented to a standing committee of the National People's Congress, the Chinese version of a parliament, two months ago, but is believed to have met strong opposition.

At the time, the law was hailed as a "further big step to smash the iron rice bowl" that has guaranteed the survival of companies regardless of performance. Zhang Yanning, *Deputy Minister of the State* Economic Commission, said a bankruptcy law is "very necessary" as chronicly ill companies are "inappropriate for the present economic reforms."

Since then the Chinese media has mounted a campaign to convince the unconverted that the bankruptcy law is just what the Communist country needs. An article in the Economic Daily several days ago claimed such a law is "an inevitable historical outcome."

"Judging from the overall trend of historical development, I think eliminating backward enterprises is progressive. Why should we keep those enterprises which cannot keen on going because their equipment and technology are completely out of date?" asked the article, which was apparently written by a state councillor.

Diplomats are wondering what standards will be used to determine bankruptcy — one noted that if western standards are applied, thousands of state-run companies would go under.

They believe the debate has conjured up images of capitalism that are troubling the more conservative members of the Government, some of whom believe the reforms have already gone too far, too fast.

However, the Economic Daily article said bluntly: "Why shouldn't we make use of the advanced science and technology and management, and forms of organisation created by the capitalist system — such as corporations owned by stockholders with limited liability—if they can serve socialism after we have modified them?"

A senior Wuhan economic official confirmed that "numerous" companies in the city are at risk of bankruptcy. A new tendering system in limited use at present could increase the number threatened, as state-factories are allowed to choose suppliers rather than being tied to traditional suppliers who are often inefficient.

Chernobyl threatens Lapps' centuries-old way of life

SCANDINAVIA'S LAPPS *face* an abrupt end to a way of life they have known for centuries as radioactivity in their reindeer herds continues to rise sharply in the aftermath of the Chernobyl nuclear power plant disaster, Reuter reports from Oslo.

Norwegian and Swedish health authorities estimate that most from tens of thousands of reindeer earmarked for this autumn's cull will have to be destroyed because of high radioactivity.

"This situation is a cultural catastrophe for Laplanders and mountain farmers in southern Norway," says Mr Terje Skogland of Norway's Directorate for Nature Management. "We fear the long-term economic consequences will force many Lapps to give up and look for other livelihoods, thereby ending a way of life they've known since the last ice age," he says.

Reindeers' grazing habits give them a diet that includes a great deal of lichen, making them far more susceptible to radiation poisoning than other *animals in the region. Lichen* take nourishment from the air, and absorbed much of the caesium that swept across the highlands of central Scandinavia after the accident in May.

About a third of Sweden's 270,000 reindeer have received high radiation doses, according to scientists from Umea University in northern Sweden. Samples have shown levels averaging between 1,000 and 15,000 becquerels (bq) of caesium 137 per kilo of reindeer meat in the worst affected areas. Sweden declares meat showing more than 300 bq as unfit for human consumption.

Radiation levels have been even higher in Norway, where up to 40,000 bq—66 times above the 600-bq safety limit set by Norwegian health authorities—have been found.

To cope with the dilemma, Norway's Ministry of Agriculture has ordered all tame reindeer meat from contaminated areas to be taken off the market, and is offering herders some NKr 18 m (£1.65m) compensation for the loss. Sweden estimates damages after the Chernobyl accident could run as high as SKr 1bn (£97m).

The measures are aimed at helping about 200 Lapp families dependent on reindeer in southern Norway and a large segment of the 15,000-strong Lapp population in neighbouring Sweden.

But money is not the only problem for Sweden and Norway's Lapps. "Radioactivity poses a serious problem for their whole way of life," says Mr Skogland. Lapps and highland farmers have for generations been more or less self-sufficient, living off foods that could be gathered, hunted or raised near their remote homes.

Sweden's National Food Administration has urged people living in the north of the country to avoid fish from rivers and lakes, where radioactivity collects with natural runoff, and not to eat too many berries or mushrooms. Similar warnings have been issued in Norway.

Scientists have warned that the problem will haunt reindeer herders for years to come. "This could have grave ecological and economic consequences for perhaps the next 30 years, which is the radioactive half-life of caesium 137," says Mr Skogland.

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OVERSEAS NEWS

Stock market surge boosts morale at Durban congress

BY ANTHONY ROBINSON IN DURBAN

HIGHER gold and platinum prices and a stock market setting record high levels, albeit in terms of the depreciated rand, gave a boost to the morale of South Africa's ruling Nationalist Party at the opening of its extraordinary federal congress in Durban last night.

In a statement only hours before the congress opened, Dr Gerhard de Kock, governor of the reserve bank, said that the higher gold price meant that this year's target for a current account balance of payments surplus of between R4-6bn was now assured.

He also revealed that South Africa has just repaid the third of eight tranches on its $800m loan from the International Monetary Fund and fully intended to honour its other outstanding commitments under the terms of its partial debt moratorium obligations.

However, good news on the economic front was clouded for the Government after Monday's judgment by a full bench of the Natal court which declared invalid two key clauses of the state of emergency regulations introduced on June 12.

The judgment, which could lead to the release of thousands of detainees, is subject to an urgent appeal by government counsel. Legal experts say it represents the most important judgment to have been handed down on the emergency regulations so far.

Professor John Dugard, of Witwatersrand University Centre for Applied Legal Studies, also called it "the most important human rights judgment for many years." Thus far only two people, including Mr Lechesa Tsenoli, Natal publicity secretary of the United Democratic Front (UDF), have been released as a result of the judgment. But lawyers acting on behalf of the estimated 10-12,000 people arrested under the emergency regulations were yesterday urgently preparing applications for their release.

The so-called Tsenoli judgment which declared that President P. W. Botha had acted beyond his powers in promulgating two key sections of the emergency regulations, granting security forces the right to arrest and detain without a warrant, is not binding on courts in the other three provinces but sets a precedent of "strong persuasive value," legal experts claim.

This week's court decision is expected to be an embarrassment for Mr Louis le Grange, the Minister for Law and Order, who is due to address the congress in the set piece debate on internal security methods today. Although over 200 people, mainly blacks, have been killed in violent incidents since the emergency was declared, the Government maintains that the level of violence has dropped markedly in recent weeks.

De Kock . . . good news

The argument that order, albeit maintained by tight restrictions, is a vital prerequisite for further cautious reform, is expected to be one of the central themes of the congress.

Meanwhile Mr Colin Eglin, leader of the white opposition Progressive Federal Party (PFP) yesterday called on President Botha and the congress not to succumb to the temptation to exploit international sanctions as an issue for party gain but as an issue of vital importance to the country as a whole. He also called on congress to concentrate on the fundamental issue of the abolition of apartheid.

At the other end of the white political spectrum, talks between the breakaway right wing Conservative and Herstigte Nasionale (HNP) parties took place in Pretoria yesterday, aimed at forging closer co-operation between the two right wing parties. Both are still wedded to the original National Party strategy of grand apartheid and appeared to be gaining ground strongly before the National Party made its own rightward shift over the last three months on issues of reform, security and national independence.

Recovering support from traditional Afrikaners and wooing moderate English - speaking voters is another of the key aims of the congress.

Kwandebele rejects independence

By Our Foreign Staff

LEADERS of South Africa's Kwandebele tribal homeland north of Pretoria yesterday rejected a plan for the territory's independence, following months of violent opposition to the proposal during which about 100 people were killed.

The decision not to opt for independence was taken by the homeland's legislative assembly after a four-hour discussion. South African and Kwandebele officials have privately expressed doubts for some time about the wisdom of setting up another nominally independent state within South Africa's borders.

Four of the 10 homelands established under apartheid policies — Venda, Bophuthatswana, Ciskei and Transkei — have already taken independence but are not recognised internationally.

Mr Solly Mahlangu, speaker of the assembly, announced the decision and expressed the fears of the homeland's black residents who do not want to become aliens without the right to work in "white" South Africa. "Independence is being uprooted and eradicated," he said. "The Kwandebele people do not agree with independence and they will not opt for it."

Andrew Mack reports on the background to the rift in the pact

Anzus allies remain optimistic

DESPITE the breakdown in the 35-year-old Anzus pact between the US, Australia and New Zealand, due to Wellington's decision to forbid visits by US nuclear armed or propelled warships to New Zealand ports, neither Washington nor Wellington wants the treaty torn up.

Each hopes that a new government in the other's capital will enable the rupture, confirmed by Washington's announcement late on Monday that it would suspend its security obligations to New Zealand, to be healed.

Whether such optimism is warranted on either side is questionable.

In Australia, Mr Bob Hawke's Labor Government has studiously avoided taking sides in the dispute. It disagrees with the stance of Mr David Lange, the New Zealand Prime Minister, but upholds his right to adopt it. There is little chance, however, of Australia succumbing to the so-called "Kiwi disease"—the export of the anti-nuclear policy to Australia and other more sensitive parts of the world such as Japan or Western Europe—as some US officials seem to fear.

Australia's history, its geostrategic position and political culture, all militate against such a possibility.

The Hawke Government has established a surprisingly close relationship with the Reagan Administration, despite serious differences over US subsidised wheat sales to the Soviet Union. It is a relationship that is too close for many on the left of the Labor Party.

Notwithstanding this amity at governmental level, important differences exist on a wide range of security policies. On questions relating to nuclear arms control, for example, the disagreements between Washington and Canberra are profound and often heated.

The most recent source of American concern has been the wide - ranging and much-publicised report on Australia's defence force structure by former academic and senior intelligence analyst, Mr Paul Dibb.

The Dibb Report was released in June; its main thrust has been warmly endorsed by the Government. The report provides a tightly and cogently argued rationale for the radical shift in Australian defence thinking and force procurement policy which has been under way for a decade and a half.

The new defence thinking stresses self-reliance and rejects the earlier doctrine of "forward defence," which had involved Australia in fighting alongside its allies in distant theatres like Korea and Vietnam. The Dibb report argues for an essentially defensive strategic approach

Dibb's "strategy of denial" would seek to repel armed aggression against Australia through a layered defence system which places primary emphasis on the nation's increasingly effective maritime strike forces—most of which are armed with the potent Harpoon anti-shipping missile.

Hawke: avoided taking sides.

In Australia many of Mr Dibb's arguments and assumptions have been atacked by conservative critics nostalgic for "forward defence" and suspicious of the defensive orientation of Mr Dibb's proposed strategy. The general thrust of the report doesn't seem to have pleased American hardliners such as Admiral James Lyons, the US commander in the Pacific, either.

At a conference at the Naval War College, Newport Rhode Island last month, Mr Lyons and other critics expressed grave reservations about some of Mr Dibb's recommendations. They rejected his assessment that Australia will confront no major threats over the next eight years

Other signals coming from Washington have been more supportive of the report. Indeed, the US has little cause to complain. Australia's growing stress on military self-reliance is due in large part to past US pressures—in particular to the Nixon Doctrine of 1970 which called on US allies to take primary responsibility for their own defence in regional conflicts. The Dibb report, and more than a decade of Australia defence planning before it, are a response to precisely these American pressures.

There is much speculation in Canberra and Wellington about the outcome of next month's meeting in San Francisco. But whatever formal statements may be issued about the alliance, no one doubts that the basic strength of the US/Australian relationship will be affirmed, or that New Zealand will remain out in the cold for the foreseeable future.

Andrew Mack is Head of the Peace Research Centre at the Australian National University.

Minister's resignation refused

Dai Hayward in Wellington

MR DAVID LANGE, New Zealand Prime Minister, yesterday refused to accept the resignation of Mr Roger Douglas, Finance Minister, because of a budget leak on July 31.

Mr Douglas's tendered resignation hastened the Prime Minister's return from Fiji, where he had been attending the South Pacific Forum conference. Mr Lange left the conference abruptly 24 hours ahead of schedule when he received the news

Mr Douglas offered to resign, accepting "ministerial responsibility," when it was disclosed that a copy of the budget document had mistakenly been delivered to the office of a daily newspaper five hours before it was presented in parliament.

Opposition Leader Mr Jim Bolger claimed the resignation offer was an attempt to divert attention away from the gravity of the Anzus situation.

Later Mr Lange said that New Zealanders should remember that the Anzus treaty, signed 35 years ago, had never placed an obligation on the US to come to the defence of New Zealand.

It merely provided an obligation for the US to consult with its partners if New Zealand or Australia were threatened.

Tourists recovering after Zambian police beating

TWO TOURISTS, a Swiss man and an Austrian woman, who suffered severe beatings while in Zambian police custody on suspicion of spying, were recovering after being freed but remained in a state of shock, according to an Austrian embassy official in Zambia, Reuter reports from Lusaka.

The pair arrived in Lusaka on Monday night after being released in the northern town of Kasama on Sunday.

Their three companions, all Swiss, were expected to arrive in Lusaka yesterday, but another woman member of their party, Susan Basler-Lamb, a Zimbabwe-born Swiss national, was still being detained, the official said.

The official declined to name the five tourists who had been freed but said the Swiss were all from German-speaking Switzerland.

The two in Lusaka seemed to be in reasonable physical condition "considering the circumstances," she said.

The tourists are among more than a dozen foreigners who have been maltreated by Zambian police since a South African air raid on an alleged African National Congress (ANC) guerrilla base near Lusaka in May.

Zambia has been in a state of alert since the attack, and large numbers of foreigners have been detained on suspicion of being South African spies.

The six Swiss and Austrian tourists were held on July 24 in the remote northern town of Nakonde, on the Tanzanian border, soon after they had entered Zambia from Malawi.

They were travelling overland from Cape Town and had been planning to take a ferry across Lake Tanganyika to the Burundian capital, Bujumbura.

After another Austrian woman, who was travelling alone, was tortured by Zambian police, the Austrian Government advised its nationals last week not to travel to Zambia except for urgent business reasons. The woman was freed late last month after being held for three weeks.

President Kenneth Kaunda of Zambia said on Sunday that he had not been informed of detainees being maltreated but if the reports were confirmed, those responsible would be punished.

Britain and West Germany have also complained of their citizens being brutally maltreated and have lodged strong protests with the Zambian authorities.

West Africa 'still poor despite decade of aid'

NINE West African countries in the drought-prone Sahel region remain among the world's poorest despite a decade of US aid, a congressional study said yesterday, Reuter reports from Washington.

The study by the Office of Technology (OTA), a research arm of Congress, estimates that as much as $20bn in long-term international aid will be needed for the region to be self-sufficient in food.

"Sahelians lag behind most of Africa in child survival, life expectancy, individual annual income and per capita food production," the report says.

"At the same time they face mounting debt, expanding populations and degrading natural resources."

The report, ordered by Senator Edward Kennedy, was an interim review of a 10-year US development programme that channelled $1.4bn to Chad, Nigeria, Mali, Senegal, Burkina Faso, Mauritania, Gambia, Cape Verde Islands and Guinea Bissau.

The report found that, while US and other international aid – in particular for agricultural development projects – had helped to ease the regi[illegible] problems, much more needed to be done to find long-term solutions.

It said the region had the resources necessary to be self-sufficient in food by the end of the century but it would require a co-ordinated effort by the international community over 15 to 30 years and cost an estimated $15bn-$20bn.

Interim findings of the study, which is not scheduled to end until next year, were released to help Congress decide how best to promote long-term economic development in Africa.

The 164-page report made several recommendations, including ways to make the Agency for International Development, which administers US foreign aid programmes, more effective.

AMERICAN NEWS

Democrats chip away at Reagan defence budget

BY REGINALD DALE, US EDITOR IN WASHINGTON

THE Democrat-controlled House of Representatives began a marathon defence debate by axing funds for a Trident nuclear submarine but voting $1.1bn (£743m) for President Ronald Reagan's MX inter-continental missile programme.

The votes, on Monday night, were the prelude to lengthy House scrutiny of a $292bn military budget for the coming year, in which Democrats were expected to continue to chip away at Mr Reagan's defence build-up.

During the course of what is likely to be a week-long debate, the House is to consider further slashing funds for Mr Reagan's Strategic Defence Initiative (Star Wars), already reduced from $5.3bn to $3.95bn by the Republican-led Senate.

It is also likely to extend a ban on testing anti-satellite weapons and prohibit funding for strategic weapons that would exceed limits set by the 1979 Salt 2 arms control treaty, repudiated by Mr Reagan in May. The Senate has suggested, but not required, that Mr Reagan stick to the limits.

The Senate's $295bn version of the defence bill, passed at the week-end, also included the $1.5bn for a 14th Trident submarine that the House has now rejected, largely on cost grounds. As in other areas of disagreement between the two houses, the issue will ultimately have to be settled in a House/Sanate conference.

Funds for the MX missile will also have to be negotiated between the two chambers. While the Senate approved Mr Reagan's request for $1.42bn to buy 21 more MXs for testing and spares, the $1.1bn allocated by the House will only be enough for 12.

In an eccentric deviation from its cost-cutting drive, however, the House approved $151m for continued production of the T46 trainer, which the air force has described as a "turkey" and says it does not want. The funds were *preserved at the insistence of* representatives from New York, where the Fairchild-Republic company is building the trainer on Long Island.

Meanwhile, the Senate was also frantically rushing to finish a vast backlog of business before the summer recess, due to start on Friday night. After wading through 31 amendments, Senators were expected narrowly to approve a $100m aid package for Nicaragua's Contra rebels, including $70m in military assistance, which has already been passed by the House.

UN delegates assail US for putting arms before food

MEXICAN and Cuban delegates to a United Nations food conference launched a strong attack yesterday on the US for devoting huge sums to the arms race and not enough to eradicate world hunger, Reuter reports from Bridgetown.

The delegates were among agriculture ministers and senior officials from 33 Latin American and Caribbean countries who began a three-day meeting in Barbados to discuss improving food security and agricultural production in the region.

Opening the regional UN Food and Agriculture (FAO) conference, Mr Edward Saouma, FAO Director-General, urged Latin American countries to form a common market to defend themselves *against* developed nations' trade barriers and farm export subsidies.

Cuba condemned US support for Nicaraguan rebels and El Salvador said leftist guerilla violence was the greatest obstacle to its agricultural development.

Much of the discussion focused on Latin America's $370bn debt problem and the adverse effect of farm subsidies in developed nations on the region's traditional export commodities.

Mr Eduardo Pesquiero, the Mexican Agriculture Minister, told delegates that US and European farm subsidies now amount to $40bn a year, "a figure far higher than the gross national product of many Latin American countries."

Venezuela to make proposals on debt

THE VENEZUELAN Government is to present formal proposals by early next month to major creditors for refinancing $21.2bn (£19.3bn) in foreign debt, AP reports from Caracas.

A third round of negotiations is due to open next month between the banks and Venezuela, Latin America's fourth-largest debtor nation. It stopped most principal payments in early 1983.

The Government hopes to *modify a 12½ year rescheduling* pact signed last February to reflect the lower income it expects from oil, its major export, because of depressed world prices.

Mr Manuel Azpurua Arreaza, Venezuela's Finance Minister, is also expected to discuss a refinancing plan for about $7bn in private foreign debts that the Government will assume.

Ecuador eases curbs on foreign exchange

ECUADOR HAS announced measures to liberalise its economy, aimed at increasing non-oil exports and which include allowing private companies to receive directly foreign exchange for exports, Reuter reports from Quito.

Interest-rate ceilings on savings deposits and on most type of loans will be abolished. The rates will now float in line with market demand.

The Government said exporters may now directly receive foreign exchange earned from their shipments, instead of drawing it through the central bank in local currency at the central bank's controlled exchange rate.

Private-sector companies will now import goods at the free rate instead of buying foreign exchange from the central bank at the controlled rate. Tariffs will also be reduced.

The controlled buy-sell rate is 108.50/110 sucres per dollar. The free rate on Monday was at 168/169.

Balaguer appeals

President-elect Joaquin Balaguer of the Dominican Republic has asked opposition parties to hold off political debate for 100 days to give him a chance to put an economic plan in place for the country, AP-DJ reports from Santo Domingo.

Pinochet is under pressure to improve human rights, **Mary Helen Spooner** reports

Washington tries carrot and stick on Chile

AN EDITORIAL cartoon in a Chilean tabloid recently depicted Mr Elliot Abrams, the US assistant secretary of state for Inter-American affairs in a cart pulled by an irate-looking Chilean peasant.

The drawing showed Mr Abrams wielding a stick in one hand and dangling a carrot in the other, as the peasant *dragged the cart* down a road marked "democracy."

On July 30 Mr Abrams warned that the Reagan Administration could oppose loans to Chile from multilateral lending institutions if General Augusto Pinochet's regime did not improve its human rights record and take more definitive steps towards a transition to democracy. The statement came as a shock to Chilean officials, who barely two days earlier had dismissed such reports as mere press speculation.

Chile has pending applications for over $800m in loans from the Inter-American De*velopment Bank and the World* Bank, including a crucial $250m structural adjustment loan which will be voted in October.

Structural adjustment loans, or SAL's, are intended to aid in *external debt repayments and* finance imports, and the $250m is part of the World Bank's contribution to Chile's $1.955bn financing package for 1985 and 1986.

The agreement also covers Chile's foreign debt repayments for 1987, but contains no provision for new financing for next year. According to central bank president Colonel Enrique Seguel, the authorities plan to begin preliminary negotiations for new money during the last three months of this year.

Harsh crack down on opposition protests has angered human rights groups and governments abroad

The precise effect that US government opposition to mulilateral loans to Chile would have on the country's commercial creditor is difficult to gauge, but it is nevertheless thought to have Pinochet regime officials worried. Last year a US warning that it would oppose a badly needed world bank guarantee *for $150m in commercial loans* prompted the Pinochet regime to lift the state of siege, replacing it with the less stringent state of emergency which remains in effect today.

The Reagan Administration would like to see the state of emergency lifted, along with assurances that the regime is preparing to take serious steps toward the restoration of democratic rule US officials believe Gen Pinochet is seeking a second eight year term in office after his current period ends in 1989, although the Chilean leader has been deliberately ambiguous in stating his intentions so far.

Last month Gen Pinochet denied he had announced he would stand in the single candidate election scheduled that year, while maintaining that the government was seeking to project *itself beyond 1989*, the year he said Chileans would have to choose "between order or chaos." The statement obviously left open the possibility that he would be the military-*selected candidate.*

The US also wants the regime to clean up its human rights record—one of the worst in Latin America. In particular, the Administration is pushing for a full investigation into the death of Rodrigo Rojas, a young Chilean photographer and former US resident whom witnesses say was doused with petrol and set on fire by an army patrol during an anti-government protest in July. A second victim, a young woman university student, was critically burned.

A civilian court magistrate has ruled that the fire which killed Mr Rojas was started by *the othaer burn victim*, and freed all but one of the 25 soldiers arrested in the case. The one officer has been indicted for failing to obtain medical attention for the victims, a *charge which he is contesting.*

The Pinochet regime is not without its American friends, including ultra-conservative Senator Jesse Helms, who has called the two young victims "communist terrorists" and criticised the presence of US Ambassador Harry Burnes at the photographer's funeral.

Senator Helms visited Santiago last month and was granted an unusual two and a half hour audience with Gen Pinochet, who subsequently refused to meet with a senior *State Department* official a few days later.

The Federal Bureau of Investigation is looking into charges that Sen Helms may have passed on intelligence information, presumably about US informants within the Chilean army, to the Pinochet regime. Sen Helms has denied the charges, and Mr Jaime del Valle the Chilean Foreign Minister has called the accusation unfounded.

The suggestion of US espionage has caused Chilean officials to bristle. Earlier this week, US ambassador Barnes was called to the *Foreign Ministry* and handed a note which warned that Chile would not accept "any actions violating national sovereignty," and that the authorities would adopt "corresponding measures" if this activity continued.

The American Chamber of Commerce in Chile is also opposed to any US economic sanctions against the regime, *and earlier this year sent* a delegation to Washington to lobby against such measures.

Other possible measures might include removing Chile from the Generalised System of Preferences, which assign the country's exports *lower tariffs* in the US market. But the Reagan Administration seems a long way from imposing direct economic pressures and appears only to be considering its options in Chile within ear-shot of the Pinochet regime.

US seeks better relationship with Mexico

BY OUR U.S. EDITOR IN WASHINGTON

THE US and Mexico are hoping to put recent strains in their relations behind them, and concentrate on common objectives, in talks between President Ronald Reagan and Mr Miguel dé lá Madrid, the Mexican President, at the White House today.

US officials say that the meeting, the fifth between the two presidents, will focus on Mexico's economic problems and the war aginst drugs, demoting Mr Reagan's contentious policy towards Central America to at most a side issue.

In preparation for the visit, *the Reagan Administration has* been making a concerted effort to be nicer to Mexico after a period of several months in which members of Congress and some government officials were sharply critical of corruption in Mexican official circles and an allegedly slapdash attitude towards drug trafficking. There has been much debate in Washington over whether Mexico is on the verge of economic and political collapse.

At today's meeting, however, Mr Reagan is expected to go out of his way to congratulate Mr dé lá Madrid on the country's recent $3.6bn (£2.4bn) *loan agreements with the IMF* and the World Bank and the economic reforms it is implementing as a result. Negotiations are continuing for $2.5bn from commercial banks this year, an a$3.5bn next year, as well as possible bridging loan from the US Government.

Mr Reagan will use the talks to "demonstrate confidence in the Mexican economic team and the reforms they are *undertaking*" according to a senior US official. Strains over drug enforcement and other issues had been "pretty much smoothed over" and there was an improved climate between *the two governments, he said.*

Both countries agreed that more must be done in the war against drugs, with Mexico concentrating on trafficking and the US acting to suppress consumption, the official said. He did not share the view that the Mexican system was on the verge of collapse, adding that Mexico was the second most important country in the world for the US, after the Soviet Union.

The official acknowledged that there had been "constant ups and downs" in US-Mexican relations. "That's been true over the years and that will, no doubt, continue to be true," he said. "But right now, relations are quite good."

Amazon drug raid planned

COLOMBIAN and Peruvian police are preparing to launch *this week a joint anti-narcotics* drive aimed at eradi·ating all the cocaine laboratories along the Amazon jungle border dividing the two countries, Peru's deputy interior minister said yesterday, *Reuter reports from Lima.*

The move follows the Peruvian air forces's weekend bombing of two trafficker's bases and the seizure by police of a third complex near the Amazon River.

Total of 144 air strips and 30 cocaine laboratories have been destroyed in drives against drug trafficking under the government of President Alan Barcia.

WORLD TRADE NEWS

China moves to repair 'open door' damage

Robert Thomson on changes in Peking's foreign investment policies

THE growing pains of the "open door" policy are not only afflicting foreign investors, many of whom are having second thoughts about China. They have also frustrated local Chinese officials whose joint venture plans are being thwarted by tough central controls.

A senior provincial economic planner says that he fears China's investment reputation has been damaged by Peking's fluctuating policies on foreign exchange control and the re-centralisation of investment authority.

A senior investment official complains that the country's numerous international trust and investment corporations set up to lure foreign money, have been severely hampered by having to seek the approval of the People's Bank of China, the central bank, to raise foreign loans. Last year these corporations lost the authority to borrow abroad.

Foreign investment in China fell 20 per cent in the first half of this year to $1.24bn. Peking claims that since the "door" was opened in 1979, 2,645 equity joint ventures, 4,075 contractual joint ventures and 130 wholly-owned foreign enterprise contracts have been signed, but only a third of these have actually gone into production.

In the wake of the investment downturn, Zhao Ziyang, the Chinese Premier, indicated last week that concessions would be introduced in a bid to make the investment climate more favourable. However, foreign businesses are waiting to see what specific measures are taken before reacting to Mr Zhao's offer.

An attempt early this year to help joint ventures by supposedly relaxing foreign exchange controls — Peking demands that joint ventures have foreign exchange in balance — was badly aimed, and convinced some investors that the Government has no feeling for their problems.

One of those foreign exchange concessions was to allow investors to use renminbi profits to buy Chinese products for export to earn hard currency. First, it is almost impossible to obtain the necessary export licence and, second, the measure was encouraging construction companies and the like to become trading companies.

Also, Wang Deyan, the President of the Bank of China, promised last week that the bank's loan policies would begin to favour foreign investors, though he, too, released no details of exactly how this financial favouritism would operate.

The Bank of China is the state bank in charge of foreign exchange, and Wang conceded that many of its regulations on loans to Sino-foreign joint ventures have been shown to be unsuitable.

Peking-based foreign businessmen are pleased that the troubled investment climate has at least been recognised by the premier and the Bank of China. But they point out that *actions must match words to* ensure the health of joint ventures already underway and to encourage further investment.

The complaints of foreign investors are many and varied: high wages, poorly skilled labour, bureaucratic mismanagement, and the difficulty of repatriating profits are among the most common problems cited.

China's provincial perspective has received less attention. Zhou Zhixian, the deputy director of the foreign investment division of the foreign economic relations and trade bureau in the central province of Hubei, *says the region has signed 39* contracts for joint ventures, seven of which have virtually collapsed.

"Hubei has the same problems as other places. We see the responsibilities falling half on the Chinese partner and half on the foreign partner. For example, some of the foreign partners have not invested in accordance with their contract," Zhou said.

"Some of the partners also provide sub-standard equipment. On the Chinese side, the supply of raw materials can be uncertain. Sometimes the Chinese partner does not invest the equity on time and other problems are caused because they are not familiar with contracts."

Zhao Ziyang: trying to improve investment climate

Paris gives Moscow more time on shipping

By Paul Betts in Paris

THE French government has postponed for a further three months the deadline annulling a shipping transport agreement with Moscow in an effort to negotiate a new bilateral shipping pact with the Soviet Union.

France has been seeking for some time to obtain an accord with Moscow to give French cargo ships a fairer share of the trade between the two countries. Last February it gave the Soviet Union six months notice that it would end the existing bilateral shipping pact signed in April 1967.

Under the 1967 accord, cargo carried between the two countries should be distributed equally. However, Soviet ships transport about 70 per cent in volume and 65 per cent in cash terms. France has an 8 per cent share in volume and 28 per cent in cash, with the balance being transported by third parties.

The pact was due to be annulled by France yesterday. But the deadline was extended because there are signs that the Soviet Union is prepared to make concessions to correct the imbalance.

Spanish opposition could delay pasta pact approval

BY DAVID WHITE IN MADRID

SPAIN WILL try to modify some of the terms of the agreement which the EEC and the US *reached at the weekend in* order to resolve their "pasta war" trade conflict. It was not clear yesterday how far the Spanish Government would press for renegotiation of the accord.

A senior Madrid official described the agreement as satisfactory from an EEC point of view since it averted the risk of an all-out tariff war with the US, but said it went against specific Spanish farm export interests.

The critical stances taken by Spain and Italy, which both consider the terms to be over-generous to the US, were expected here to delay ratification of the agreement.

The Spanish Government is unlikely to formalise its position before its next cabinet meeting, which because of the holiday period is not scheduled to take place until Friday week.

Spain appears, however, to be concentrating its demands on subsidiary aspects of the agreement rather than making a frontal attack on the terms for US exports of citrus fruit to the Community.

This may reflect Spanish confidence in the marketing strength of its powerful citrus sector, already well-implanted in the rest of the EEC, in the face of transatlantic competition.

The two main items cited by officials as damaging to Spanish interests were the allowances made in the agreement for *quotas of almonds and extra*-quality sweet oranges from the US at reduced tariffs.

The reduction on the tariff on almonds from 7 per cent to 2 per cent threatened Spain's production and exports, they said. In addition, Spain did not consider the agreement to contani sufficient guarantees of improved access to the US market for olives and olive oil.

Spain may try to invoke Article 32 of its accession treaty, which covers the effects of changes in common external tariffs and provides for pos*sible EEC measures to main*tain the principle of community preference.

UK groups in Athens metro deal

By Our Athens Correspondent

A British-Greek consortium has won a consultancy contract for a $1.1bn project to expand Athens' single-line subway system.

The 12-member consortium, METR-A will provide design, engineering, construction and operations planning for two 13 km lines through the centre of the capital. The consultancy contract is worth Dr 400m (£1.9m).

The *consortium's seven* British and five Greek companies outbid 21 other competitors, among them groups from the US, Canada, Hungary and Romania.

*The British companies par*ticipating are: Freeman Fox, Halcrow Fox, London Transport International, Kenneth Donkin, Design Research Unit, Charles Haswell and Sir Wil*liam Halcrow. They* have worked together on subway systems for Baghdad, Hong Kong and Taipei.

The Ministry of Planning and Environment says con*struction of a line, linking* two densely populated residential districts of Athens, will begin early in 1987. Work on a second line, connecting the city's western industrial suburbs *with an expanding business* district northeast of the centre, is to start by 1990.

Punjab presses for Pepsico project

BY JOHN ELLIOTT IN NEW DELHI

THE GOVERNMENT *of* the troubled northern Indian state *of Punjab* is providing powerful political support for the second attempt by Pepsico within 18 months to be admitted into India as a provider of soft drinks and an exporter of processed agricultural products.

Punjab urgently needs industrial investment to try to divert disenchanted Sikh youth from involvement in growing extremist violence. The state government has said the Pepsi project would have considerable psychological importance.

In an attempt to offset considerable other *political* and commercial opposition to its plans, Pepsico has also broken *new ground by offering to* manufacture its secret cola concentrate in India and to use only a hybrid version of its tarde mark, such as Ind Pepsi.

It proposes to take a 39.9 per cent stake in the venture in line with India's foreign investment rules. It has joined up with Tata, the country's largest industrial grouping which would have 24 per cent, and Punjab Agro Industries Corporation, which is owned by the Punjab state government and would have 36.1 per cent.

In the Indian Parliament yesterday Mr Narayan Dutt Tiwari, Industries Minister, said the proposal was being studied by the Indian Government.

He said the Sikhs' Akali Dal Government in the Punjab had stressed the project would have "tremendous psychological importance" to the state after the troubles of recent years which had hit the investment climate.

Ironically one of the staunchest opponents of the project, Pure Drinks which produces Campa Cola in New Delhi, is owned by a prominent Sikh family.

Punjab has been looking for ways to expand its green revolution of the past decade in rice and grain production into more high-yield crops with potential for added-value food processing.

Investment would total Rs 215m (£17.5m) of which Rs 170m would be spent on a processing unit to turn 25,000 tonnes of potatoes and 5,000 tonnes of grain into snack foods every year, mainly for the Indian market, and to process 80,000 tonnes of *fruit, primarily* for exports.

Rs 55m would be invested in a plant to manufacture Pepsi juice-based concentrates and soft drinks to be sold to Indian bottlers turning out over 1bn bottles a year.

In the first five years expenditure of foreign exchange of Rs 180m on ingredients for the concentrate and other items would be exceeded three-fold by the exports of processed food and other items totalling Rs 550m.

Yugoslavia to modernise telecoms system

Yugoslavia plans to spend $1.26bn on modernising its post office telecommunications network by 1990, Reuter reports from Belgrade.

The plans are reported to include the installation of a third earth satellite station which would significantly improve telecommunication links with the rest of Europe.

The existing stations provide links with the Americas and South East Asia.

The official Tanjug news agency said Yugoslavia had only 138 satellite telephone lines but by 1990 it would have 876, giving it direct communications with all major points of the globe.

The number of telephones in Yugoslavia would also be increased from 11 per 100 inhabitants to 17 per 100.

Australia cancels casino construction deal

BY EMILIA TAGAZA IN CANBERRA

THE Australian Government yesterday cancelled the A$750m (£345m) management contract for the construction of a casino awarded last June to Harrah's of the US and Hooker Corporation, its Australian partner.

The Government called for new tenders to build and operate the casino, vaunted to be the world's largest, at Sydney's Darling Harbour development area.

The state government of New South Wales (NSW) cancelled the contract after receiving the findings of police investigations into the two companies. The findings will not be made public until late September, but the NSW Premier, Mr Barrie Unsworth, indicated that the Government's main *concerns* were the investigations into Harrah's, a unit of Holiday Inns, by the US Federal Bureau of Investigation (FBI), and alleged deals between Hooker and *certain Australian* trade unions.

Hooker-Harrah's beat two other final bidders, Genting of Malaysia and its Australian construction partner Civil and Civic, and the Sabemo and Westin Federal Hotels Consortium.

The Hooker-Harrah's consortium had proposed to build a casino complex with a 700-room hotel, with the casino having 400 gaming tables, 1,500 video gambling games and a capacity of 11,000 gamblers at any one *time.*

The contract signed in June gave both Hooker-Harrah's and the Government 45 days to pull out of the deal.

Mr Unsworth has warned that no company involved with the Hooker Corporation chief, Mr George Herscu, will be successful. He said construction of the *casino will be delayed* by about six months but that the Government was determined to push the project through.

Harrah's president, Mr Phil Satre, said yesterday the con*sortium has* met all the requirements set down by the Government.

UK NEWS

Minister meets breakaway union leaders

BY PHILIP BASSETT, LABOUR EDITOR

THE GOVERNMENT has held joint talks with leaders of the main breakaway unions in teaching, the health service, the railways and mining in what the unions involved are claiming is a "historic" breakthrough in official relations.

The meeting between Mr Kenneth Clarke, Paymaster General, and senior Employment Minister, and five unions is the first time that talks have been held between the Government and those unions collectively. Most of the unions were formed after splits in the original unions over strike action. None of the new organisations is affiliated to the Trades Union Congress (TUC).

The talks are likely to prompt again further suggestions that the unions are the kernel of an alternative national trade-union organisation. They included the Professional Association of Teachers, the Association of Professional Ambulance Personnel, the Professional Association of Nursery Nurses and the Federation of Professional Railway Staff, together with the Union of Democratic Mineworkers as observers.

As well as forming the first official collective contact with ministers, the meeting, set up by the breakaway rail union, was the first time that the unions had met together since initial contacts were made about 18 months ago. The unions are mainly guided by the twin principles of greater union democracy and opposition to strikes.

Most of the unions involved, unlike those in the TUC, are characterised by rapidly growing membership figures. Union leaders at the meeting said that Mr Clarke listened "sympathetically" to them. *The Department of Employment* made no comment yesterday

Mr Clarke did ask the unions to draw up for the department's examination a code of practice on individual employees' rights. Mr Geoff Butler, secretary of the breakaway rail union, said yesterday the aim of the code would be "to secure better rights for people who work during strikes."

The unions involved are pressing the Government for action to try to prevent what they claim is victimisation of their members – often by employers who already recognise the unions from which the breakaways sprang.

Call for tougher laws to protect consumers

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

LEGISLATION TO put a general duty on all companies to trade fairly was proposed yesterday by the Office of Fair Trading (OFT).

The proposals were included in a discussion document published yesterday and are aimed at stamping out the "cowboy" traders – especially in the home-improvements and used-car trades – who manage to escape prosecution under existing consumer protection laws.

"What is needed now is some kind of legal safety net to catch all 'rogue' practices which are still slipping through the mesh," said Sir Gordon Borrie, Director General of Fair Trading, yesterday. "The solution I have in mind is a basic piece of law which we have called a general duty to trade fairly," he added.

"Under this cover-all duty, specific guidelines aimed at particular trades or methods of selling would also be introduced – perhaps one could call it designer law for shops, garages, builders, in fact for any firm or individual who serves the public."

Sir Gordon's proposals are being sent to interested trade bodies and other parties, which have until next February to make their comments. He is likely then to make a formal proposal to the Trade and Industry Secretary for primary legislation to be introduced to bring into force the all-embracing consumer protection law.

More lose homes as mortgage debts rise

By Nick Bunker

MOUNTING mortgage arrears have led to another rise this year in the number of homes repossessed by the UK's building societies. They took possession of 10,630 properties in the six months to June 30 – 13 per cent more than in the second half of 1985.

The figures were published yesterday by the Building Societies Association (BSA). Two weeks ago, the BSA showed in its annual Fact Book that in the whole of 1985 there were 16,770 repossessions, more than 50 per cent up on the 1984 total.

Yesterday's figures underlined the recent warning from Sir Timothy Bevan, chairman of Barclays Bank, about the bad debts in store for lending institutions that show no restraint in the current home-loan boom.

Building societies' mortgage lending broke another monthly record in June, when they promised more than £4bn to home buyers. That was despite low net receipts from savers of £387m, well below this year's monthly average of £809m.

Rapid growth in their loan books meant that societies took in the first half of the year 86.7 per cent of the mortgage market, according to the BSA. That was better than the BSA's own forecasts that societies would maintain their market share *at about 75 per cent to 80 per cent.*

Leading building societies have been surprised by the ease with which they have fought off competition from banks and other newer financial institutions.

Mr Tim Melville-Ross, chief executive of the Nationwide Building Society, said the building societies' high share of the home-loan market was now "a little bit unhealthy."

He said: "We as an industry have been going too far down-market and have lent to people who should not be in owner-occupation," he said. A further increase in arrears and repossessions was "bound to happen" as a result of the present high volume of lending.

Recent rises in mortgage arrears were probably a delayed result of *strong competition between lenders* in the mortgage market in 1984, when societies built their loan books partly by lending more to lower-income borrowers.

INSURANCE MARKET REPORT CRITICISES AUDITORS' PERFORMANCES

Lloyd's blames agency managers

BY NICK BUNKER

AN OFFICIAL report of Lloyd's, the *London insurance market, found no* evidence of fraud or gross negligence by managers of Richard Beckett Underwriting Agencies (RBUA), the company that in 1982 began running the troubled PCW insurance syndicates.

The report, published yesterday by the Council of Lloyd's does, however, point to "errors of judgment and inadequacies of performance" at RBUA. It criticises "disappointing performances" by two firms of auditors, Arthur Andersen and Arthur Young, in advising and supporting RBUA.

Mr Richard Beckett took over management of syndicates run by the PCW underwriting agency in December 1982, after the dismissal *of Mr Peter Green, PCW's former* chairman.

The 1,525 underwriting members (Names) of the former PCW syndicates later discovered that up to £80m had been misappropriated by the syndicates' pre-1982 managers. Mr Alan Lord, Lloyd's chief executive, disclosed yesterday that Lloyd's had also now increased to £238m its estimate of further underwriting losses faced by the PCW Names, who claim that the losses relate directly to the earlier irregularities.

Lloyd's is now trying to reach a settlement with the PCW Names, who plan to sue Lloyd's and a range of other commercial interests in the *insurance market.*

The former PCW syndicates are now managed by Lloyd's Additional Underwriting Agencies (Number 3). The latest report on RBUA follows a year-long inquiry by a committee chaired by Mr John Davis, vice-chairman of Lloyds Bank. Publication was scheduled for late May but held up by an injunction from Arthur Andersen, which was discharged on July 11.

Mr Lord said the report was "not full of villains. It does not have any villains at all. There are a number of lessons in it which we would like to learn."

The Davis report says that Mr Beckett's decision that the RBUA syndicates should continue underwriting *after December 1982 was* "reasonable ... on the basis of the knowledge which he had at that time." It adds that RBUA's directors provided Names with "all the independent advice that could have been reasonably expected" when Names were offered a partial settlement of more than £38m to cover money allegedly misappropriated by PCW's former management.

The performances of both firms of auditors were "disappointing" for failing to advise RBUA about possible difficulties in its reinsurance programme, and the dangers of simplistic policies for making reserves for losses on so-called "long-tail" liability insurance.

Paisley marches with deputy in move to demonstrate unity

BY HUGH CARNEGY IN LONDONDERRY

THE REV Ian Paisley, leader of the Democratic Unionist Party, in Northern Ireland, and Mr Peter Robinson, his deputy, marched side by side in a big annual Protestant parade through Londonderry yesterday, underlining their efforts to dispel speculation of differences between them.

There were several outbreaks of violence after the main parade had passed, as security forces came under petrol-bomb and stoning attacks by both nationalist and Unionist gangs. Police fired plastic bullets at the rioters, who set at least one building on fire.

Mr Paisley and Mr Robinson were among some 15,000 members of the Apprentice Boys of Londonderry organisation, who joined the annual celebration of the relief, 297 years ago, of a Roman Catholic siege of Protestant forces in the city.

Mr Paisley, who returned home from the US on Monday, said Mr Robinson was marching as his guest. The deputy leader faces charges in the republic tomorrow arising from a Unionist cross-border incursion last week. Mr Robinson has said he will definitely travel to Dundalk to answer to charges and Mr Paisley intends to go with him.

The IRA kept up its campaign against the security forces with two attacks on police stations near Portadown, County Armagh, and Pomeroy, County Tyrone, on Monday night. In one, six people in a nearby pub were injured by a bomb blast.

Michael Cassell writes: Mr David Steel, the Liberal Party leader, yesterday criticised Mr Robinson for what he described as the MP's irresponsible actions in leading a protest march over the Irish border.

Mr Steel said the actions of Mr Robinson and his "Democratic Unionist outriders would be considered pathetic if they were not so dangerous."

Fillip for property investment

BY DAVID LAWSON

MOVES BY the London Stock Exchange might accelerate the development of radical types of investment in commercial property.

The exchange has agreed to take under its wing the development of single-asset property companies by considering for listing the proposed Property Income Certificates (Pincs) and similar investment vehicles and to give full corporate membership to members of the Pincs Association.

Becoming part of the main market is a boost for moves such as the sale of shares in individual buildings. The association expects to have four buildings worth £20m to £50m each lined up by the end of the year to issue Pincs.

"We will be disappointed if it is not 12 buildings in two years and there could be more than 20 if the market takes off," Mr David Sizer, of Richard Ellis, a member of the Pincs, said. "Property is the last of the unmodernised markets. This will be a watershed in property investment."

Pincs are securities that give the same benefits of income and capital growth to investors, but are tradeable. That means investors can take a slice of a building rather than the costs of up to £75m which sometimes defeat even the biggest pension funds.

The stock exchange move has settled any *fears about the existence* of a suitable market for single-asset investment vehicles, according to Mr Paul Rivlin of County Ltd, County Bank's merchant-banking arm.

BBC to show programmes on Chinese TV

By Chris Cragg

BBC Enterprises has signed an agreement with China Central Television (CCTV) to show a variety of BBC TV programmes. The deal involves a novel form of payment for the programmes using advertising rather than straight sale.

The foreign currency required to pay for the BBC programmes will be supplied direct from the London-based China International Marketing Company. That new marketing organisation will raise the revenue involved by offering advertising on CCTV's network. The rate will be $5,000 for a 30-second slot, believed to be the lowest in the world.

CCTV is China's largest television network, with an average of 300m viewers. There are now around 65m television sets in the country and the number is growing at the rate of 15m a year. The network has already bought many BBC programmes, notably Shakespearean drama, Anna Karenina, Bergerac and the comedy series Yes, Minister.

Under the new scheme, the Chinese will see Miss Marple, Great River Journeys and the wildlife documentary The Living Isle, courtesy of the advertisers. What is less obvious is who precisely those advertisers will be.

Nestlé, Kodak, Procter and Gamble and General Foods already advertise regularly on Chinese television, presenting general consumer goods.

Cassettes overtake value of LP sales

CASSETTE sales in the UK are ahead of sales of LPs in value for the first time, despite the lower average price of cassettes, according to figures for the second quarter of 1986 published by the British Phonographic Industry, **David Thomas** writes.

In the three months to June, 12.6m cassettes worth £27.8m were sold, compared with 9.7m LPs worth £25.3m. Overall, the UK record industry recovered in the second quarter from the fairly flat first three months of the year.

□ **AIRLINES** and travel agents *should be allowed to sell tickets as* cheaply as they like, the National Consumer Council says in a report. Responding to a request by the Civil Aviation Authority for views on its plans to introduce bulk fare discounts, the council says that if a travel agency is prepared to offer cheaper tickets by lowering its own profit margins, it should be allowed to do so.

□ **A GROUP** of 50 investment institutions formed the Association of Futures Investments to lobby for funds investing in the futures markets to be allowed in the UK. At present, investment firms wishing to set up funds investing in futures must do so offshore.

□ **WORLD SPEED** record for any type of helicopter has been won by Westland of Yeovil, Somerset, with a Lynx helicopter using advanced-technology rotor blades, flying at 249.10 mph (400.87 kph). The previous record of 228 mph (367 kph) was held by the Soviet Union.

□ **OIL COMPANIES** have followed the lead of Shell in raising petrol prices by 7p a gallon. The higher prices at BP, Texaco and Esso take effect from today. Mobil prices are set to rise tomorrow.

□ **GROUSE SHOOTING** season started with more of a misfire than a bang. Hunters seemed to outnumber grouse as some moors reported the lowest numbers of birds for 40 years, as a result of bad weather and disease.

□ **TESCO** *supermarket* chain is spending more than £233m on new superstores this year, which the company said will create thousands of new jobs.

MANAGEMENT

BRITAIN's complex industrial relations are changing. Unemployment, the slow death of industries like shipbuilding and steel, new employment in sectors like high-tech and services, the use of new technology, the advent of new managements, often foreign, particularly Japanese, new labour legislation and the weakened state of UK trade unions are among the factors forcing the pace of that change.

Partly as a result, the UK has been pulled back from the strife-torn image of the "British disease" to its most strike-free year for half a century. While the revolutionary, militant challenge of the 1984-85 miners' strike captured the headlines, away from the limelight a new form of industrial relations has been taking shape

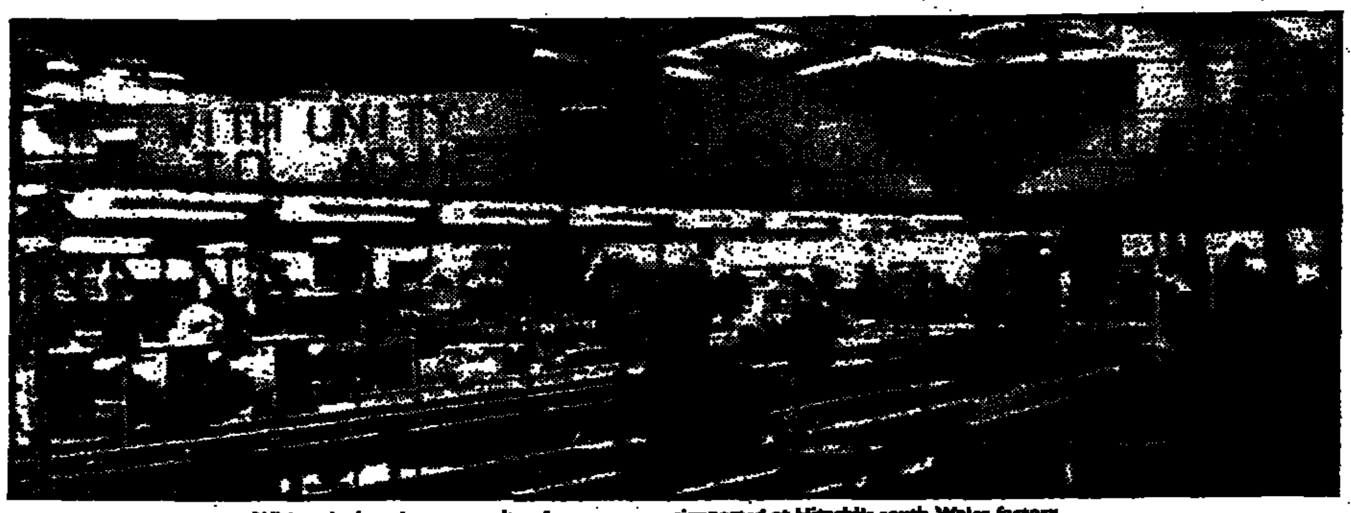
Codified in the pragmatic stance of the TUC's so-called "new realism," this development has taken its most extreme form in the strike-free agreements being signed by the EETPU electricians' union, and others, which through strike-substitute mechanisms such as pendulum arbitration—an arbitrator having to choose either the union's claim, or the employer's offer—see strikes as a wasteful and costly method of resolving differences, and so are specifically designed to avoid them.

A new study*, Strike Free: New Industrial Relations in Britain, describes these changes—and looks at different examples of how they are working in practice. In the first of three extracts from the study the experience of Hitachi, which replaced its existing union agreements with a single union deal, is charted.

Industrial relations

How Hitachi broke the union mould

BY PHILIP BASSETT



With a single union goes unity of purpose—as signposted at Hitachi's south Wales factory.

TEN MILES from the south Wales mining village of Maerdy, where the 1984-85 coal strike ended at its most emotional—men who had stayed out solidly for a year marching back to their pit behind a brass band—lies the little town of Hirwaun. Just outside it, on a small industrial estate guarded by cattle-grids, nestling behind a Dunlopillo factory, lies the Hitachi television and video manufacturing plant.

"This factory used to be awful," says Wyn Bevan, EETPU executive councillor for the area. "Discipline was non-existent—people strolling off the production lines to do whatever they wanted to, whenever they wanted. The lines were full of pies, and pasties and cups of tea, people smoking and tapping ash. You can't have sophisticated electronic equipment with pieces of pasty and cups of tea falling all over it."

Now, it no longer does. Once a cornerstone in the growth of the giant GEC company—Lord Weinstock, its managing director, was once managing director of the Hirwaun plant for a year, and married the daughter of its founder, Sir Michael Sobell—the plant, like Toshiba, was run as a joint venture with GEC for five years, before GEC pulled out in 1984.

"The joint venture period was horrendous," says one senior Hitachi executive now. "What looked like a sensible business decision was really just an expedient business decision." Hitachi resolved the problem by facing the company with a choice, as it spelt out to its workforce:

In plain financial terms, the existing business at Hirwaun is bankrupt. In blunt assessment terms, the existing factory standards and efficiencies are the worst in the UK in any competitor comparison. Hitachi has recently considered two options:

(1.1) Withdraw from Hirwaun because it will be impossible to change the business to profitability within reasonable timescales.

(1.2) Take control of the business and instal Hitachi conditions and standards as quickly as possible, because this will give potential to change the business to profitability within reasonable timescales.

The Hitachi decision has, of course, already been made.

That decision was wholly to recast the plant's fabric and operations, to reduce sharply its workforce, and to reach a radical labour relations agreement on the lines of the Toshiba deal: in short, to start a new, greenfield factory on the site of and in the shell of an old, traditional plant.

It was a decision which was to prove successful for the company, which has managed to move from loss-making towards profitability. It was also a decision which was to embody long-term implications for the EETPU and for the structure of British trade unionism.

Acas officials warned at the time in an internal paper of the possibility of union recognition "sparking off the majority of industrial relations problems so far" with the strike-free deals, and suggested that such moves "can provoke substantial disruption to industrial relations within the companies concerned, and employers will need to consider carefully the problems that any change in long-standing agreements can provoke, and balance them against expected benefits."

They were right. In the days of the joint GEC-Hitachi venture, there were a number of unions recognised at the plant—the EETPU (716 members), AUEW (223), ASTMS (87), Ucatt (87), Apex (60) and Tass (15). In addition, the TGWU (10) had unofficial "representational" rights, and there were 115 non-union employees.

Insistent

As part of its new agreement, Hitachi was insistent on recognising only one union. It chose the EETPU, its largest—though, as one manager now puts it: "I must say that we felt rather fortunate that the majority union was the EETPU."

In April 1984, the company wrote to its unions informing them that it planned to announce a single-union deal with the EETPU at the end of the month. Outraged, the other unions sought immediate meetings with the company, and then with the TUC, to complain about the EETPU's behaviour.

Hitachi on April 30 served formal notice on the five recognised unions other than the EETPU that it would withdraw their recognition with effect from May 14. Four days before that date, at a testy meeting, the EETPU refused to join the other unions in a common approach to the company.

The other unions decided to press a formal complaint against the electricians under the TUC's Bridlington principles governing inter-union relations, while the company delayed its withdrawal of recognition until August 10—the day before the formal opening of its single-union agreement with the EETPU.

The stage was now set. The TUC, on June 5, tried informally to bring together the EETPU and the other six unions—the TGWU, though not recognised, had joined the complaint. It was a failure.

A disputes committee, headed by Jack Eccles, from GMBATU, that year's TUC chairman, and with Eric Nevin, general secretary of the merchant navy officers' union, and John Scott-Garner, president of the then Post Office Engineering Union, met on July 24 to hear, and reject, the EETPU's claim that it had no case to answer. A final attempt at the meeting to reconcile the two sides again failed.

While the TUC's machinery ground slowly on, the pace of change at local level was accelerating. At the end of April, the company began a lengthy process of explaining to its employees what the changes, spelt out in a document called A New Future at Hirwaun, would mean. Employees were seen in groups of 35, and each received a copy of the paper explaining the new deal: 508 redundancies, a 7 per cent pay increase, single status, full flexibility, a company members' board, pendulum arbitration, no strikes—and a single union.

Ann Clwyd, Labour MP for Cynon Valley, formally and publicly protested at the redundancies, but Wyn Bevan got down to the task of negotiations on them, and on the agreement.

Bevan says now that the talks on the agreement, bringing it down from what he describes as the company's original "draconian" proposals, were among the hardest he has ever known. Convinced himself, he began the uphill task of first convincing the EETPU's shop stewards, and then the union's members—as the company had done, meeting them in small groups, painstakingly going over and over every small point of the detailed, 33-page document.

For the employees, single unionism was not an issue, according to Tony Pegge, Hitachi's personnel executive: "Most of the company members in the factory didn't know which union they were a member of. They were concerned about being union members, but not concerned about the single-union matter. Single-union matters were problems for full-time officials."

Problems there were for the unions. On June 18, in the cinema in nearby Aberdare, the six unions held a mass meeting—at which, it was claimed, 550 Hitachi employees, including 100 EETPU members, were present—and it voted unanimously against signing the agreement.

A month later, those being made redundant had gone, and the EETPU, negotiations concluded, organised a secret ballot of its remaining members in the company on the "New Future" document. The result was overwhelming: 87 per cent in favour. The union and the company signed the agreement the same day. It came into effect on August 8—and by the end of the week, the other unions were out.

Seething, frustrated, all that the other unions had left now was the hope that the TUC would rule the agreement out of order (though the company was making it abundantly clear that what the TUC did or said did not concern it, or its agreement with the EETPU).

With all urgency gone, and the TUC finally beginning to become involved in the miners' strike, the full disputes committee hearing was not held until January 16. Led by Tim Webb, from ASTMS, for the six unions, and Bevan and Roy Sanderson for the EETPU, the two sides locked horns in the TUC's headquarters, Congress House, in London's Bloomsbury.

TUC disputes committee findings, let alone the hearings, are confidential, but a seventeen-page internal TUC report of what the TUC described with considerable understatement as a "difficult dispute" makes plain what occurred.

The six unions' charge was straightforward enough. The EETPU had signed a single-union deal with Hitachi. The other recognised unions had been excluded. The EETPU was therefore in breach — on two counts — of Bridlington.

As the TUC report says: "It was the complainant unions' view that they had been faced throughout with collaboration between an affiliated trade union and an employer in an attempt to destroy the then-current and long-standing organisational negotiating rights of other union members."

The EETPU rejected that claim. Bevan and Sanderson said they had not tried to poach other unions' members, and gave an undertaking that they would not do so. In effect, Hitachi presented a wholly new employment position; in so far as the TUC's Bridlington principles applied, they had complied with them. They had been faced with an intransigent employer: "To have pursued the action suggested by the complainant unions and refused to enter into a single-union agreement would, in the EETPU's view, have led Hitachi to withdraw recognition from all unions and establish a non-union plant."

Hitachi, then, crystallised a crucial part of the EETPU's whole argument in favour of its strike-free package that, or nothing—no unions at all. Eric Hammond made it clear, too, that the EETPU would rather face possible expulsion from the TUC for refusing to accept the disputes' committee award, if it went against the union, than abandon its deal at Hitachi and the principles it represented.

In the event, he did not have to go that far. On April 11, the TUC made its ruling known to the unions concerned. The EETPU had a sharp ruler across its knuckles: "The EETPU should not have signed the sole recognition and negotiating agreement until the dispute had been resolved, if necessary by TUC adjudication."

Three points

But it was not ordered to abandon the deal. Instead, it had to meet three points: new employees at Hitachi should be advised that they might join a union other than the EETPU, in the case of grievances at the plant involving a member of one of the ousted unions, an official of the union concerned should be able to take the issue up with the company; and the EETPU should establish a body which would allow the ousted unions to relay to the company through the electricians their views on issues affecting them.

TUC disputes committee awards are binding, and Hammond immediately welcomed the ruling as a vindication of the EETPU's stance. Webb was appalled—so appalled that, on behalf of the ousted unions, he took a step unprecedented in the TUC and tried to appeal against the committee's decision. He challenged each of the three stipulations, arguing in particular that the second was impracticable, since officials from unions other than the EETPU were now no longer allowed on to Hitachi premises at Hirwaun.

Of the third, Webb said in a letter to Norman Willis, TUC general secretary: "The establishment of a body whereby the previously recognised unions submit their views to the EETPU who then consider them before presenting a claim to the employer, must be a potentially unique institution in joint trade union procedures. It is difficult to see how this could work."

But it was not, in any case, the central issue. "The overall problem is, of course, that six unions with legitimate and long-standing negotiating rights have had these removed by an agreement between the employer and another trade union. The disputes committee award does not redress this situation." But Willis was adamantine: "There is no appeal against an award of a TUC disputes committee."

So the EETPU had won the first round—but a month later, battle was joined again when Apex, one of the six ousted unions, successfully pressed the TUC at its annual Congress to tighten its regulations on single-union deals.

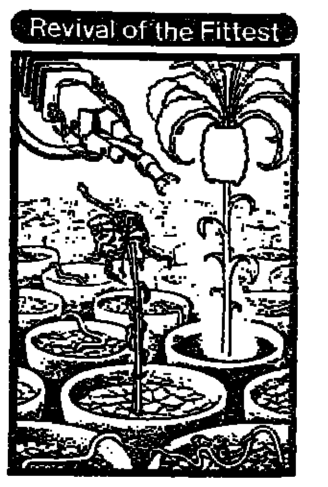
Hitachi brought out into the open what Acas has called the "cut-throat" fight for membership' as union numbers tighten and the prospect of membership gains in areas like the high-technology industries seems to beckon invitingly. But, along with the EETPU's strike-free deal with Eddie Shah's Today newspaper, it effectively brought about the TUC's ban on unions' unilateral signing of single-union deals.

The EETPU (and others who would take this course if they could) has staked a considerable part of its philosophy and future on just such agreements: it may yet be that complying with the TUC's alterations to Bridlington may prove too high a price for the EETPU to pay for continued membership of the TUC.

** Strike Free: New Industria Relations in Britain by Philip Bassett Macmillan, £10.95. Reprinted by permission of Macmillan, London. To be published on August 28.*

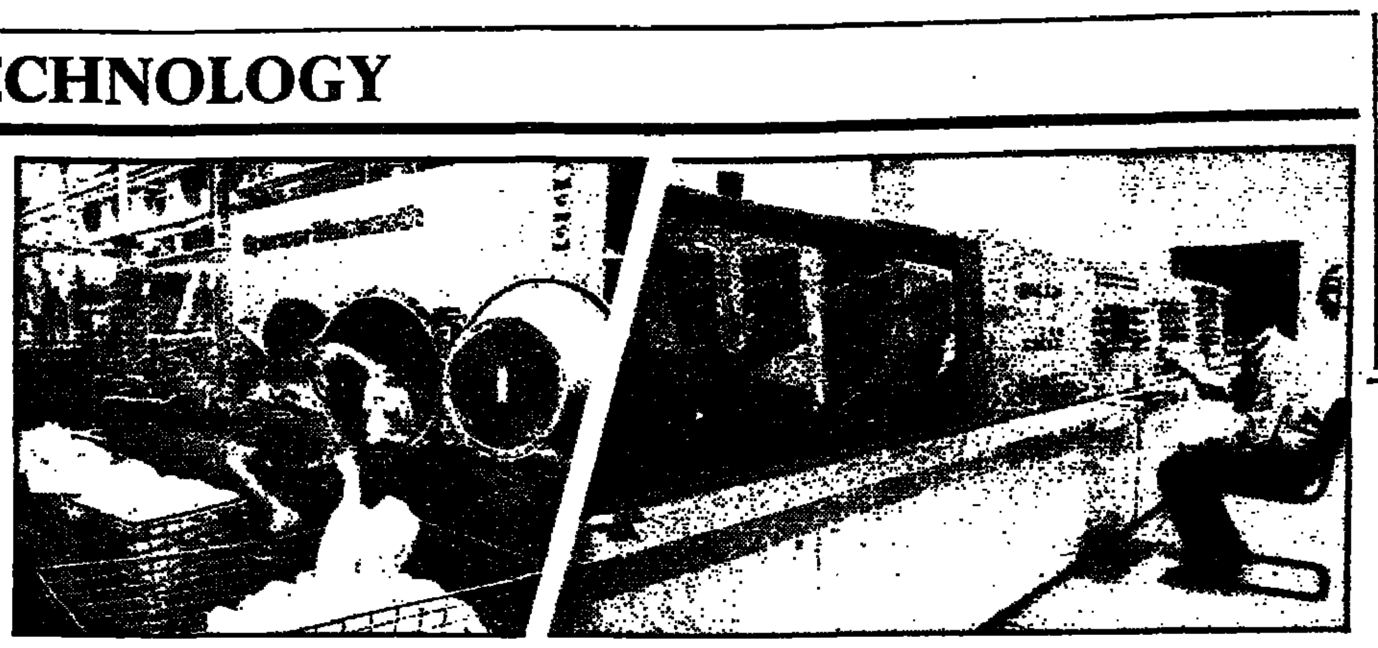
TECHNOLOGY

Revival of the Fittest



The lightning rise of Europe's largest clothing producer has hinged on advanced automation. **Alan Friedman**, in Milan, reports.

Mission control for a rocket named Benetton



BEING inside the newly completed and fully-automated Benetton warehouse in the province of Treviso, north of Venice, is rather like finding oneself inside an enormous yellow and red spaceship. An eerie silence fills the space, 20 metres high and 170 metres long, as computer-controlled robots slide horizontally along Meccano-like tracks, while a dozen mobile lifts stack up to 12,000 boxes of sweaters and jeans a day.

In the subterranean control room, a white-shirted technician (one of only 10 warehouse employees) sits before a vast electronic and three-dimensional display, panel, monitoring the progress of the robots. The control room resembles nothing so much as mission control at Houston, reinforcing the sensation of a space-age operation.

It is just 20 years since the company was started by Luciano Benetton and his sister Giuliana. At the time he was a shop assistant and she a garment factory worker. Benetton is now Europe's largest clothing producer, with its success largely attributed to its ability to transform the clothing business into an industry.

What this actually means, however, is that Benetton has applied innovative production and distribution methods, which range from computer-aided design to an advanced global communications and inventory system. It has thus succeeded in making internationally competitive a commercial sector which is hardly typical of high technology.

As part of its success formula, the company has thrown away the standard rule book on retailing. It has created a marketing package in which distinctive Benetton shops sell only simple and brightly coloured Benetton clothes. Now, with an international network of 3,200 shops in 57 countries and 1985 sales of L880bn ($587m), technology has become an essential part of the company's integrated production, shipping and franchising system.

The three key elements of Benetton's advanced technology are its computer-aided design in styling and pattern cutting, its sophisticated international information system and, of course, its automated warehouse.

Mr Luciano Benetton, the long-haired 51-year-old founder of the eponymous company, is convinced that technology is the key to success. "Without the innovations we would not have grown. To go from 3,200 to 4,000 shops during 1986 means a great deal of tiring organisation and distribution work—technology is the lubricant which makes it feasible."

The computer-aided design (CAD) centre at Ponzano, near Treviso, is where the patterns are designed and cut. The design and cutting system, like other parts of the process, was conceived in very rough terms by Mr Benetton himself. "He would say 'Can we do that?' and then we would call in technicians," explains a company director.

A Hewlett-Packard 64 megabyte (able to store 64m characters) computer powers the CAD and pattern design system (PDS). Computers are used to lay out patterns for cutting, thus reducing waste material to only 5 per cent. At the drafting board, staff hold "digitiser" electronic pencils in hand and tap in sweater coordinates on to an actual-size matrix. This is then video checked and channelled through to the cutting room, where three automatic and programmed machines (each 20 ft long and 6 ft wide) cut more than 70 full sweaters in eight minutes. The capacity is 15,000 full garments in eight hours.

A related process comes when it is time to use the famed Benetton technique of producing unbleached wool, to be dyed by the vat when orders come in from shop agents in the field. In the knitting plant computers are programmed with codes for 270 different colours as well as prints and combinations.

As important as production is the Benetton data transmission system, which, using equipment supplied by General Electric, provides daily updates on sales and inventory, and is linked to Benetton's 12 most important markets outside of Italy: The US, UK, Ireland, West Germany, Spain, Sweden, Norway, Belgium, The Netherlands, Austria, Switzerland and France.

At the information systems centre near Treviso Prof Bruno Zuccaro, a veteran of both Honeywell and Zanussi in the past, supervises a staff of 85 who collate data. The General Electric network is checked twice daily. ("What interests us most is orders" jokes Prof Zuccaro) and is plugged in to an IBM 308 3BX mainframe computer and its Fujitsu 7890 backup.

The information centre coordinates orders, which brings us back to the space-age automated warehouse, which was built by Fiat's Comau robotics division and also makes use of Allen Bradley numerical control systems.

"We have been able to unite the distribution of goods with the flow of orders, rather than keeping the administrative and physical parts separate," explains Mr Giancarlo Chiodini, director of logistics. Mr Chiodini races up and down the four-storey L45bn warehouse with the glee of a child who has just received a Christmas present, and reels off details on the warehouse functions.

When drivers from any of six factories arrive at the warehouse gate, they insert a plastic card which tells them immediately to which of five loading bays they must go. At the bays the machinery begins to hum as mobile conveyor belts actually enter the back of the lorries and then receive boxes which are transferred to a sorting area below ground. In this underground area a labyrinth of other conveyor belts move the goods past lasers which read digital codes in two seconds and accept or reject the merchandise.

Mr Chiodini boasts proudly of how "the computers and robots are programmed to know which level to stack the boxes at least 12 hours before the goods arrive here."

It is now that the bright yellow Comau robots slide up down and sideways among 13 levels of storage space, in a silent world devoid of human presence. The integrated cutting, printing, information flow and warehouse distribution system is now complete, and makes possible the mass marketing of Benetton clothes. When the goods leave the warehouse they are already packaged, with price tags in the appropriate currency and the shipping address computer-stamped.

The success of the Benetton system shows up clearly in the company's profit and loss account, where 1985 net profits leapt 140 per cent to L86bn, and in the success of its stock-market debut in Milan and London in June. For now Mr Benetton says the technological side of the business is sufficient to meet the needs for expansion. "What we need are more shops around the world and more pieceworkers north of Venice," he says.

● **Previous articles in this series:**

May 28: Swatch, Swiss watchmaker.

June 3: Hoover, British domestic appliance manufacturer.

June 17: VEGE Motoren, Dutch remanufacturer of car engines.

July 8: Bellot: French flour miller.

July 15: Electrolux, US vacuum cleaner manufacturer.

July 30: BUSM, British manufacturer of machine tools for the shoe industry.

FAR LEFT: Benetton jumpers are dyed by the vat, with computers controlling 270 colours and print combinations. **LEFT:** Subterranean control room at Treviso, where the vast electronic three-dimensional display monitors the progress of robots. Pictures by Alberto Cabelsai.

Quick 'ID' from De La Rue

"ID" CARDS can be produced in under two minutes with a system from De La Rue that uses special film and optical disk recording. The Basingstoke, UK, company is on 0256 29122.

The card utilises the company's security film, which contains background patterns that show up only under ultra-violet light and are difficult to counterfeit or alter.

From a colour or monochrome TV camera pointed at the new card holder, a single "mug shot" frame is captured electronically. At the same sitting, an operator keys in personal details of the holder, which appear beside his picture on a TV screen. Then, picture and text are recorded on optical disk by a laser that burns tiny unalterable marks on the disk surface. The disk holds 24,000 images.

WORTH WATCHING

Edited by Geoff Charlish

Finally, the image is transferred from the disk into a video printer to produce the dual image on security film. In additional equipment, the film is laminated into a plastic "ID" card.

DOCUMENT MANIPULATION by electronics, rather than "pen and paper," is under development by Xionics (a subsidiary of the UK's Smiths Industries) in conjunction with British Petroleum.

The idea is to scan original documents and store on magnetic or optical disk, a facsimile in digital form. Later, any document's image can be retrieved on a high definition screen, allowing keyboard changes to text/graphics content.

BP is said to have some 6.5 miles of filing cabinets and these might eventually be reduced to a few stacks of optical disks.

For such large scale applications, Xionics plans to develop a networked system allowing many workstations to access, exchange and work on original documents.

The first development however, which is about half completed, will use a single IBM model AT personal computer. Xionics believes other companies will join a chartered users group it has set up, to which the entry fee is £20,000.

The Faergklaemman: Thefts from Swedish shops down by 50 to 80 per cent.

Swedes clip shoplifters' wings

SHOPLIFTING has been reduced by 50 to 80 per cent in Sweden, writes Sarah Webb from Stockholm, in stores where Faergklaemman is in use.

Faergklaemman, or "colour clip," is a plastic tag, attached to garments, that can only be removed by a shop assistant using a compressed air tool. Other attempts at removal rupture a dye ampoule which stains not only the garment, making it unwearable, but the thief as well.

Faergklaemman Svenska AB claims the device is a better deterrent than electronic types, which its says, can be removed by skilled villains in the changing rooms. More from the company at Regulatorvagen 21, S-141 49 Huddinge, Sweden.

THE AA (Automobile Association) in the UK has the first phase of a £2m "command and control" system in action at its London operations centre in Stanmore, Middlesex.

Software Sciences, a Thorn EMI company, is prime contractor for this ICL-based system, in which up to 80 operators can provide response to members' 1.2m breakdown and information calls each year.

The operators can log incoming calls, validate membership details, access a gazetteer database to get breakdown map references, and direct patrolmen. Another database allows many enquiries about roads, weather and so on to be answered. In phase two next year, 600 mobile terminals will be integrated.

BAR CODE scanners are to be installed at all 380 UK newsagent branches of W. H. Smith by Datachecker/DTS, the UK point-of-sale division of National Semiconductors in the US.

The project, to be completed in three years, makes W. H. Smith one of the first non-food retailers to sell products marked with bar codes on such an extensive scale.

Company Notices

INTEREST TEXAS FINANCE N.V.
US$100,000,000
Guaranteed Floating Rate Notes due 1989

In accordance with the provisions of the Notes, notice is hereby given that for the three months period August 13th 1986 to November 13th 1986 the Notes will carry a rate of interest of 00.00 per cent per annum with a coupon amount of US$00.00.

Agent Bank
CHEMICAL BANK

THE ROYAL BANK OF CANADA
US$350,000,000
Floating Rate Debentures due 2005

In accordance with the terms and conditions of the Debentures, the interest rate for the period August 14 1986 to September 15 1986 has been fixed at 6½ per cent per annum. On September 15 1986 interest of US$5.777778 per US$1,000 nominal amount of the Debentures will be due for payment. The rate of interest for the period commencing September 15 1986 will be determined on September 11 1986.

Orion Royal Bank Limited
Agent Bank and
Principal Paying Agent

THE COUNCIL OF EUROPE RESETTLEMENT FUND FOR NATIONAL REFUGEES AND OVER-POPULATION IN EUROPE

ECU 30,000,000 13½% 1982/1992
Holders of the above mentioned issue are herewith informed that the annual redemption instalment due October 1st, 1986 covering a nominal amount of ECU 2,500,000 has been entirely satisfied by drawing by lot.

The bonds so drawn bear the numbers comprised between 24751 and 27250, these numbers inclusive.

These bonds are redeemable at par and cease to bear interest on October 1st, 1986.

The amount remaining outstanding from October 1st, 1986 will be ECU 27,500,000.

BANQUE INTERNATIONALE A LUXEMBOURG
Société Anonyme
Fiscal Agent

Luxembourg, August 13th, 1986.

FT COMMERCIAL LAW REPORTS

Floating charge crystallises by agreement

RE BRIGHTLIFE LTD
Chancery Division:
Mr Justice Hoffmann:
July 24 1986.

CRYSTALLISATION OF a floating charge can take place by agreement between the parties to the charge, as well as by rules of law; and where a creditor, before commencement of winding-up, effects crystallisation in accordance with the terms of a debenture, the charge thereby fixed in his favour takes priority over preferential debts in the winding-up.

Mr Justice Hoffmann so held when declaring that a debt owed by Brightlife Ltd to Norandex Inc, an American company, ranked in priority to preferential debts payable by Brightlife on liquidation, including a debt of £70,000 for value added tax owed to the Commissioners of Customs and Excise.

Section 614 (2) (b) of the Companies Act 1985 provides: "The preferential debts shall . . . have priority over the claims of holders of debentures under any floating charge . . ."

* * *

HIS LORDSHIP said that Brightlife was in creditors' voluntary liquidation. Its assets had realised about £40,000. It owed over £200,000 to Norandex, secured by a debenture.

It also owed over £70,000 for VAT. The Customs and Excise Commissioners said that Norandex's debenture conferred only a floating charge and therefore the claim for VAT, being preferential, took priority under section 614 (2) (b) of the Companies Act 1985.

Norandex said its debenture had priority because it created a fixed charge over most of the assets or, alternatively, because the floating charge over all the assets had become a fixed charge before the resolution for winding-up.

The debenture was dated April 11 1983. Clause 3 (A) (ii) charged "by way of first specific charge (a) all book debts and other debts . . . owing to Brightlife . . ." Sub-clause (iii) created a floating charge over "the undertaking and all other property, assets . . . of Brightlife."

Clause 3 (B) read: "Norandex may at any time by notice to Brightlife convert the floating charge into a specific charge as regards any assets specified in the notice . . ."

Clause 5 was a covenant by Brightlife that it "(ii) shall not without the prior consent in writing of Norandex . . . except in the ordinary course of business, . . . deal with its book or other debts."

Clause 13 provided that "Brightlife shall execute . . . all such . . . things as Norandex may reasonably require for . . . protecting the security."

Mr *Sheldon* for *Norandex*, submitted that clause 3 (A) (ii) (a) created a "first specific charge" over all book debts and other debts. Nearly £18,000 of the assets was derived from book debts. Another £19,000 had been standing to the company's credit at the bank. That, Mr Sheldon submitted was an "other debt" over which Norandex had a fixed charge and priority over the Commissioners.

The bank balance did not fall within the term "book debts or other debts" as it was used in the debenture. *It would* not be legally inaccurate to describe a credit balance with a *banker as a debt, but that would* not be natural usage for a businessman or accountant.

Although clause 3(A)(ii)(a) *spoke of a "first specific charge"* over the book debts and other debts, the rights over the debts created by the debenture were a floating charge.

In *Yorkshire Woolcombers [1903] 2 Ch 284* Lord Justice Romer identified three standard characteristics of a floating charge: "(1) . . . a charge on a class of assets . . . present and future (2) . . . which in the ordinary course of the business . . . would be changing from time to time; and (3) . . . by the charge it is contemplated that until some future step is taken . . . the company may carry on its business in the ordinary way . . ."

Mr Sheldon said the charge did not allow Brightlife to deal with the debts in the ordinary way of business. Clause 5(ii) was highly restrictive of its power to deal with its debts.

A floating charge was consistent with some restriction on the company's freedom to deal with its assets. In the debenture the significant feature was that Brightlife was free to collect its debts and pay the proceeds into its bank account. Once in the account they would be outside the charge over debts and at the free disposal of Brightlife.

A right to deal in that way with charged assets for a company's own account was a badge of a floating charge and was inconsistent with a fixed charge.

Norandex's alternative submission was that the floating charge was converted into a fixed charge before the resolution for winding-up.

On December 10, 1984 Norandex sent Brightlife notice under clause 3(B) of the debenture "*of the conversion with* immediate effect of the floating charge . . . into a specific charge over all the assets of Brightlife . . ." Also, it sent a demand under clause 13 for execution of a legal assignment of all book debts.

Mr Sheldon relied on the notice under clause 3(B) as having crystallised the floating charge over all the assets before the winding-up. Alternatively he relied on the notice under clause 13 as having done so in respect of book debts.

In *Griffin Hotel [1941] Ch 129* Mr Justice Bennett decided that priority given to preferential debts applied only if there was a charge still floating at the moment of winding-up. It followed that if the debenture holder could crystallise his *floating* charge before the moment of winding-up, section 614(2)(b) gave the preferential creditors *no* priority.

Mr Mummery, for the Commissioners, said that the events of crystallisation were fixed by law and not by agreement. Those events were (1) winding up; (2) appointment of a receiver; and (3) ceasing to carry on business. Only those three events would cause crystallisation, he said, notwithstanding any agreement to the contrary.

In *Edward Nelson [1903] 2 KB 367, 376* Mr Justice Joyce said that "a . . . debenture . . . does not cease to be a floating security until the company has been wound up, or stops business, or a receiver has been appointed . . ."

Taken by itself, that remark might appear to lend support to Mr Mummery's tripartite rule of law. But a fair reading of the whole judgment showed that the judge also accepted that his enumeration was subject to contrary agreement.

In *Illingworth v Houldworth [1904] AC 355* Lord McNaughton offered only a "description" of a floating charge, not a "definition." In making that distinction it seemed what he had in mind was that a floating charge was not susceptible to being defined. The rights and duties which the law might or might not categorise as a floating charge were wholly derived from agreement of the parties, supplemented by terms implied by the law.

It seemed fallacious to argue that once parties had agreed on terms thought sufficient to identify the transaction as a floating charge, they were then precluded from agreeing to other terms which were not present in the standard case.

Mr Mummery said public policy required restrictions on what the parties could stipulate as crystallising events. A winding-up or appointment of a receiver would have to be noted on the register, but a notice under clause 3(B) need not be registered. The result might be prejudicial to third parties who gave credit to the company.

It was not open to the courts to restrict the contractual freedom of parties to a floating charge on such grounds. It was a matter for Parliament rather than the courts.

The notices under clauses 3(B) and 13 constituted intervention by the debenture-holder and there was no conceptual reason why they should not crystallise the floating charge if the terms of the charge on their true construction had that effect.

Mr Mummery submitted that *the notice* under clause 3(B) was ineffective because the assets over which the charge was to crystallise were not specified in the notice.

The notice said it was to apply to "all the assets of Brightlife . . . subject to the floating charge." That was sufficient specification. It was not necessary to list each separate asset.

The decision that the notice under clause 3(B) crystallised the charge made it unnecessary to decide whether the notice under clause 13 did so in respect of book debts, but for the sake of completeness it was held that it did.

The debt secured by the debenture therefore ranked in priority to the preferential debts in respect of all assets in the hands of the liquidator.

For Norandex: Richard Sheldon (Linklaters and Paines).

For the liquidator: John Vallat (Sprecher Grier and Co.).

For the Commissioners: John Mummery (Solicitor, HM Customs and Excise).

By Rachel Davies
Barrister

THESE REPORTS are published in volume form with the full texts of judgments. For subscription details contact Kluwer Law Publishing, Africa House, 68 Kingsway, London WC2B 6BD. Phone 01-831 0391.

Edinburgh Festival/Michael Coveney

Grim tartan dramas

John Home's *Douglas* in the Signet Library behind St Giles's Cathedral heads the drama programme's contribution to this Edinburgh Festival's "enlightenment" theme—and promptly shrouds it in a gloom of despond. Joan Knight's risible production destroys the play's reputation as a great Scottish tragedy. A general air of spurious authenticity was even supplemented by one wag's Pavlovian echo of the cry that went up on the first night in 1756: "Whaur's yer Wully Shakespeare noo?" Miles ahead, mate, out of sight.

The author was an East Lothian cleric whose success with the play led to his enforced resignation from the Church of Scotland. Jupiter Carlyle, a prominent moderate in the intellectual maelstrom of the period, reported that the town was in an uproar of exultation over Home's achievement. Only sporadically can one guess why from this version, in which a lost noble son, Douglas, is reunited with his mourning mother, the Lady Randolph.

Douglas was found abandoned by a kindly rustic, old Norval, himself a former retainer of the good auld maister, Lord Douglas. Exuding indiscriminate goodness and palpable high pedigree, the restored Young Douglas prompts a jealous plot by Lord Randolph and the dastardly Glenalvon. Scenes of resentment and poignant reunion, some of them expressed in measured heroic verse, end in tears, death, and the repentant exit of the disgraced Lord Randolph to lose his bacon in the Danish Wars.

The library is a long pillared space of classical proportions, imitation doric pillars and a softly cherubic ceiling fresco where the muscular attitudes of Ossian's Hall as recorded in the Runciman painting might have been more appropriate. The actors assemble around two tables at the far end, either side of an overblown playbill announcing the first company of West Diggs, Mrs Ward and the rest. A lady fiddler in period costume and spectacles sets the general tone of historical archness.

The cast then occupies a raised square platform, prettily arranged upon it like figures on a porcelain plate or mug. Only John Grieve as Old Norval inhabits the windy rhetoric with any power or conviction, even stifling our mirth at such corny lines as "One stormy night was heard the cry of one in jeopardy" (I might pinch that for my epitaph). John Telfer is a clean-limbed, attractive Young Douglas, Paul Young a far-too-pleasant Glenalvon, Roy Hanlon a characterless Randolph.

The role of Lady Randolph has been associated with Peg Woffington, Sarah Siddons and (in Edinburgh in 1950) Sybil Thorndike; not for long, I fear, with Clare Richards, who fails to resonate the melodramatic depths of her speeches, to register the lightning, cataclysmic, emotional shifts between despair, joy and maternal anguish.

One sees how, with brilliant acting and imaginative scenic treatment, Home's *Douglas* might prosper as a Racinian drama with emotional flashpoints worthy of Victor Hugo's excessive melodramas. Instead we have a waxwork display of enlightenment period charm similar in spirit to those Tudor banquets or "World of Shakespeare" events of interest only to sentimental tourists in crimplene and check trousers.

★

After *Douglas* the superb exhibition of Scottish painting in the Talbot Rice gallery is an essential Enlightenment antidote. The dramatic artifice of Nasmyth's landscapes, the glowing theatrical compositions of Wilkie's *The Penny Wedding* and *The Cotter's Saturday Night* represent the conflicting tone colours unrealised in the Signet library.

John Watson Gordon was a fine portrait painter at the end of the Enlightenment, whose study of James Hogg, missing at Talbot Rice, is conjured by Donald Douglas in his one man show, *Hogg: The Shepherd Justified* at St Cecilia's Hall. Hogg was a self-educated poet and balladeer whom Scott dubbed "The Wild Boar of Ettrick." This Traverse show was concocted last year to celebrate the 150th anniversary of his death and toured the Borders. As an Enlightenment *Bonne Bouche* it comes perilously close at times to emulating *Douglas*, but the actor Douglas is of sturdy stuff and he represents this bluff intruder on the literary scene with many an ingratiating autobiographical snippet.

What makes Hogg interesting, though, is his dark experimental and parapsychological novel *The Private Memoirs and Confessions of a Justified Sinner*. A brief quotation would be insufficient to convey Hogg's importance as a link between poetry of the Enlightenment and the obsessive, macabre prose of much late 19th century fiction. Too much of the old tartanry, I'm afraid.

It's better on the Fringe

I cannot remember Edinburgh being so drenched in sunshine at festival time. The clouds of the Commonwealth games were finally despatched on Sunday afternoon as the opening parade progressed down Princes Street, critics assembled in shirt-sleeve order and families jostled for vantage points along the route.

There are no official festival drama exhibits in the Assembly Rooms this year. However the George Street mecca of frantic fun and arty aspiration, supervised as usual but that unflappable Diaghilev in designer jeans, William Burdett-Coutts, is housing a production of mysterious dignity and hypnotic beauty from the Abbey Theatre in Dublin.

The Great Hunger has been adapted by playwright Tom MacIntyre and director Patrick Mason from Patrick Kavanagh's long poem of the same title (recently anthologised in Faber's *Book of Contemporary Irish Poetry*). The poem records the unspectacular life of a South Armagh potato gatherer, Patrick Maguire, his unfulfilled lusts and self-estimations (was he a saint, a "Matt Talbott of Monaghan"?) on a bleak and well-ploughed tillage field.

Making no concessions to any city councillor's demands for "accessibility," the Abbey production — now three years old — is an unashamed experimental mood piece (a reading of the poem is advisable but not all that helpful) with a bravura gestural performance by Tom Hickey as Kavanagh's "mechanised scarecrow." He inhabits a large corrugated sod of field flanked by a maternal ikon which he lovingly dusts and an impromptu tabernacle stuck there like a hideous reminder of Sunday obligations. Girls flash by, his sister provocatively raises her skirts, a pagan procession with ecstatic showers of cabbage leafs elides into a babble of prayer and a brilliant robotic chorus line of rattling collection boxes.

The show is not so much difficult as impenetrable, but it is delivered with absolute conviction and played to the hilt by a fine company. Tom Hickey, gaunt and angular, "a ragged sculpture of the wind," conveys years of submerged fervour, erupting comically upside down on a five-barred gate as the forbidden parade passes by, or draining himself of lust with a prolonged assault on the bellows. Edinburgh audiences thus have no excuse for missing two of Ireland's most brilliant contemporary actors: Hickey in *The Great Hunger* and, coming soon to George Street, Barry McGovan in *I'll Go On*.

The Traverse has a wonderful range of local and foreign writing this festival but I must confess to disappointment at John Clifford's *Lucy's Play*, a curious and uneasy mixture of *Up Pompeii* and Asterix cartoonery in 4th century Syracuse. Clifford whose *Loosing Venice* was a Traverse hit last year, is an undoubtedly imaginative and erudite new theatre voice, but the coyness of his style is at present overbearing and finally tiresome.

Lucy is the ex-governor's daughter who defies her mother, packs off her boyfriend to the Spanish goldmines, resists the advances of a lubricious Roman governor (the excellent Chris Barnes) and acts the part of a blind saint after her shepherd friends from the hills have introduced the community to the delights of meat-eating.

It all collapses in a bun-fight between Church and State, with Kate Duchêne's somewhat irritating and lumbering Lucy (whom I don't love) persisting in myoptic squints and revue-style put-downs, even as the play drains away like sand betwen her toes.

Back in the Assembly Rooms, Hull Truck's John Godber has collaborated with songwriters Tom Robinson and Hereward K on a musical re-jig of his 1981 *Cramp*. Some of the numbers are very good, others stick out like sore thumbs in a ponderous virility fable about bodybuilding Dave who has developed all his muscles except one. Is this dedicated Schwarzenegger of West Riding a closet gay or merely miserable?

His Mephistopheles is the confidential Max who asserts that "environment" is a long word that has a big effect before lining up his author with D. H. Lawrence and David Storey. Dave, like Godber, is a mining community lad who wants to get out: to a gym, to the University of Wales — there are no lengths to which he will not go except, presumably, the usual six to 10 ins.

Chris Walker is superb in the part (sic) but the elements are not yet meshed in a stop-go affair on a badly lit, awkward stage area and is too sloppy to bear favourable comparison with such other folk musical pieces of late like Willy Russell's *Blood Brothers* and the Bragg/Goodall *The Hired Man*. Godber and Tom Robinson could yet deliver the goods; *Cramp* may have loosened up by the time it arrives at London's Bloomsbury Theatre in September.

Michael Coveney

The new faces of US television: from top, Bill Cosby's family and the lawyers of Matlock and L. A. Law

American Television/Frank Lipsius

Old timers anew

If the three American television networks were soap operas, they would produce endlessly fascinating episodes. The current story line would involve them all falling victim to takeover bids, and changing the major shows in exactly the same direction as they strive to prop up their falling ratings.

The bright spot of the last year has been *The Cosby Show*, which in its second season became the most popular series in television history. Its spectacular ratings halted the steady decline in the networks' total viewership, which is down to less than three-quarters of American households, compared with 95 per cent a decade ago. *Cosby* also made NBC the top-rated network for the first time in 30 years.

Bill Cosby, a black comedian who has long been a sitcom star, originally went to ABC with the idea for the series, but the network turned him down. With nothing to lose, third-place NBC took up the offer, though, says Tom Werner, co-producer of the show, "NBC wanted Bill to be a Las Vegas entertainer half talking to the audience in monologue and half situation comedy. And we wanted to do a real simple, real human comedy."

The producers prevailed, making *Cosby* an upper-middle-class Manhattan gynaecologist. He lives with his lawyer wife and four of his five children in a brownstone house, like Cosby's own. Filmed in front of a live audience, the show draws on the conventional sitcom humour of everyday interactions, what co-producer Werner calls, "honesty and the sort of comedy coming out of the characters, a warmth."

Brandon Tartikoff, president of the NBC Entertainment Division, considers the appeal of the paternal Cosby a reflection of the ageing audience: "The audience grew up with this kind of show. Now the audience is of an age where they are starting to have families of their own." To confirm that the American audience is demanding something older, NBC had the highest-rated new series of the past year with *The Golden Girls*, a Saturday-evening sitcom about elderly residents in Florida.

Having found a style for the late 1980s, all the networks are eager to try it out. To make the characters comic but somehow more adult, the producers have given them advanced degrees. When the new season starts in September, the network lineup promises for the first time an educational level of the characters higher than the audience's.

Ellen Burstyn stars in a half-hour comedy series about a professor sharing her Baltimore house with a daughter and grandson. The creator of *Hill Street Blues*, Steven Bochco, is making an hour-long series for NBC called *LA Law*, about a West coast law firm. And Andy Griffith is also a late middle-aged lawyer in a new NBC series, *Matlock*.

The acceptance of ageing has renewed the careers of a number of stars, including Lucille Ball, who has a new ABC series with the improbable setting of an ironmonger's store, where Lucy takes over her dead husband's job. In *Our House*, Wilford Brimley plays a widower hosting a permanent visit from his daughter and three grandchildren. Loni Anderson is a wealthy young widow who takes in an elderly uncle and his friends in *Easy Street*.

The way the networks are turning the most successful show into a formula sounds as hackneyed as any sitcom plot. But the twist in the story is the underlying danger that they may be forced out of the familiar role they have played since the early 1950s. They will not go out of existence, but they may have to change format more drastically if the series do not draw large enough audiences to sustain them. The least vulnerable is now NBC, having come out on top at a crucial time. It is making plenty of money for its new owner, General Electric, while ABC and CBS struggle to contain costs and find winning shows.

The most likely candidate for dropping out of the race is ABC, which started pondering its choices as soon as new management took over earlier this year. Its new president, John B. Sias, has a business rather than a programming orientation, and anticipates airing fewer Hollywood-produced shows and series. Instead, ABC will have more news shows, which are considerably cheaper (produced, as they are, in-house).

ABC is starting a new weekly series of news-as-entertainment. Called *Our World*, it will star a sharp-tongued commentator, Linda Ellerbee, narrating network archival news footage to relive recent history, from the moon shot to the Kennedy assassination. It will be shown at the same time as *Cosby*, a sign of cost-cutting in a lost cause.

And last month it devoted a whole evening to a news department documentary, *After the Sexual Revolution*. It featured quips and glimpses of women reaching middle age, still attractive and not married. Put on the air in the middle of summer re-run season, the show exemplified another kind of soft-news approach: pop, look-in-the-mirror school of fake sociology, like best-selling paperbacks.

CBS has taken the opposite tack, making its biggest cuts in news. Its morning news programme, a perennial third in the ratings, has been turned over to the entertainment division. Although it was the only network not to be absorbed by another company within the last year, CBS had to mount an expensive defence against a takeover attempt. The largest shareholder is a New York billionaire investor, Laurence Tisch, who symbolises the network's new, no-nonsense financial thrust. Among the employees fired in the news department cutbacks was one of the most respected newscasters, whose seniority had simply made him too expensive to keep until retirement.

CBS and ABC are still competing with the full panoply of entertainment. Any drastic change will come gradually because, by any standard but their own, the networks remain extraordinarily successful. More people watch Cosby every week than voted for President Reagan. The networks will remain attractive to advertisers because no other medium provides such a mass audience, even if it is smaller than it used to be.

Like the characters in the soap operas they produce, the American networks have themselves become part of the nation's family and will continue to intrigue their viewers as they struggle to face a world with more convolutions than their own harassed principals can comfortably cope with.

Italian festivals: Ravenna and Montepulciano

The number of festivals in Italy is fast approaching epidemic proportions. Every year some Italian city or town—or village—invents a programme, invites artists, hires a press-agent, sticks posters all over the country. Even the greediest music lovers, even the most alert critics have to decide how many events they can safely omit from the crammed calendar.

One of the newest festivals—founded only this summer—takes place in Ravenna. Significantly, it is called *Ravenna in festival*, the "in" meaning that the organisation's aim is not merely to import a number of performers, but actively to involve the whole city in a kind of month-long celebration.

Ravenna has had for some time a brief summer opera season in the outdoor setting of the Rocca Brancaleone. Those performances have now been incorporated into the festival, and complemented with others: a "festa" for Verdi (with Susan Dunn and Veriano Luchetti), mixed-evening of Vivaldi, with song and dance. But the city's theatres have also been pressed into service, notably the handsome Teatro Alighieri, sober and spacious (built in the 1850s and currently being restored), where last week the festival offered an exemplary production of Mozart's *Magic Flute*, with a largely young cast.

Actually, it was *Il flauto magico*, in a new translation by Donato Schwendimann Berta (translator of Mozart's letters among other things) and the critic Lorenzo Arruga, who is also the artistic director of the festival.

Arruga, who staged this production, sees the work as a fairy tale, a folk story; and the translation, though elegant, is often direct, down-to-earth; and fortunately, the artists enunciated it with crystal clarity.

In this view of the work, obviously the character of Papageno — representative of the people — becomes all-important. And the gifted baritone Alessandro Corbelli seized this occasion and created an engaging, masterly characterisation, never mugging or nudging the audience.

Though young, Corbelli is an experienced performer. The rest of the cast consisted chiefly of singers at the outset of their careers. It was delightful to see a really young Tamino and a Pamina who was girlish without having to *act* girlish.

At the second performance, the tenor Maurizio Comencini announced an indisposition; but in the event he sang with great tenderness and appeal; Martina Musacchio was an equally sweet, attractive Pamina. The ladies — Patrizia Orciani, Elisabetta Tandura, and Caterina Antonacci — were all singers you would want to hear again, in more ample roles; the three boys were winning, cherub-like. The Sarastro was weak, but the rest of the cast fulfilled its obligations with distinction.

Arruga's staging was tactful and tasteful, supported by Pasquale Grossi's inventive sets (and animals and flying-ship for the boys), as well as the colourful, but not garish costumes of Eugenio Monti Colla. A truly magic evening.

★

Now in its tenth year, the *Cantiere internazionale d'arte*, the international art workshop of Montepulciano, has established its place in the crowded landscape of Italian festivals. It has had its problems during this brief existence. Founded by Hans-Werner Henze, the workshop was, at the outset, heavily politicised. Even today, some years after Henze's retirement as active artistic director, it has a strong left-wing flavour; but it has managed to keep peace with the local authorities and now seems to lead a fairly confident life. It has a distinct and agreeable personality.

Its important operatic production this year was Bizet's *Don Procopio*, a piece seen in Italy only three times since the lost score re-surfaced in 1906. It was appropriate that the opera of a 20-year-old should be given at this festival, where the accent is on youth. And appropriate, too, that the performers should all be young, many of them participants in the various study programmes that are an integral part of the Cantiere.

It would be inappropriate, however, to expect professional-level performances; and, in fact, some of the singing evidenced more promise than polish. Antonella Muscente sang the part of Bettina: the voice is still acerb and has a tendency to sag out of tune, though the timbre is bright and pleasing. The other female role, Eufemia, was assigned to Marina Gentile, another young artist with flair though still lacking in assurance.

Best of all was the basso buffo Alfonso Antoniozzi; in a role that offers scant theatrical possibilities (it is a watered-down Don Pasquale character), this singer barely in his twenties displayed sound vocal technique and genuine comic style.

Since the text is weak (Bizet's enthusiasm for it suggests his uncertainty in theatrical matters), an inventive production is required. Mario Zanotto produced a charming bag of tricks—use of shadow-figures, mimes, predominantly black-and-white costumes and sets—but imposed a coherence on the whole, and set a pace that was brisk without being frenetic. Guido Salsilli designed the versatile, witty setting; and Paolo Cortellazzo was responsible for the elegant and simple, linear costumes. The RIAS Jugendorchester of Berlin was briskly, but sensitively directed by Sandro Sanna, revealing all the winsomeness of this ebullient score, which reveals not so much the influence of Rossini and Donizetti as the young composer's admiration.

William Weaver

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

August 8-14

Theatre

LONDON

Are You Lonesome Tonight? (Phoenix): More musical hagiography with Alan Bleasdale's Elvis Presley show using flashback and excellent live recreations of the rock and roll hits to explain how Martin Shaw's King in crushed velvet jumpsuit has reached this pretty pass. Exploitative, but not strictly for tourists. (8362294).

Lend Me A Tenor (Globe): Fresh and inventive operatic farce by new American author Ken Ludwig set in Cleveland, Ohio in 1934. Dennis Lawson and Jan Francis lead an energetic company in mistaken identity romp, while Verdi's Otello carries on regardless. (437 1592)

When We Are Married (Whitehall): Matchless comic playing from an all star cast in Priestley's comic warhorse about silver wedding anniversaries undermined by an inconvenient revelation. Bill Fraser is a drunken Falstaffian photographer and the couples are led by Timothy West and Prunella Scales. The 1930 theatre has been beautifully renovated. (930 7765).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Particle score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. (836 8108).

Lennon (Astoria): A not too critical celebration of the life and music of John Lennon that is enjoyable especially for the musical resourcefulness of the cast and Mark McGann's Lennon look-and-sound-alike. (734 4287).

The Normal Heart (Albery): Tom "Amadeus" Hulce is playing the crusading hero of Larry Kramer's hysterical melodrama for a three-month season, as public concern over the Aids epidemic increases. (836 3878 credit cards (CC) 379 6565).

La Cage Aux Folles (Palladium): George Hearn a welcome star alongside Denis Quilley in the transvestite show for all the family. Weak second act, less than vintage Jerry Herman score. The show has not travelled well from Broadway. (437 7373 (CC) 734 8961).

NETHERLANDS

Amsterdam, Carre Theatre. China's Peking Circus (all week except Mon, matinees Sat, Sun, Wed). (225 225).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T.S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

I'm Not Rappaport (Booth): The Tony's best play of 1986 won on the strength of its word-of-mouth popularity for the two oldsters on Central Park benches who bicker uproariously about life past, present and future, with a funny plot to match. (239 6200).

Big River (O'Neill): Roger Miller's music rescues this sedentary version of Huck Finn's adventures down the Mississippi, which walked off with many 1985 Tony awards almost by default. (246 0220).

The Mystery of Edwin Drood (Imperial): Rupert Holme's Tony-winning resurrection of the unfinished Dickens classic is an ingenious musical with music-hall tunes where the audience picks an ending. (239 6200).

CHICAGO

Pump Boys and Dinettes (Apollo Center): Facetious look at country music and down-home country life with a good beat and some memorable songs, especially one played on kitchen utensils has proved to be a durable Chicago hit. (935 6100).

Ballet at Vignale

One characteristic shared by the more recent Italian music and dance festivals is that they are held in small places well off the beaten track. But people are still drawn to the village of Vignale — equidistant from Turin and Asti, in the wine-producing area of the Monferrato—by the endearing dynamism with which Gian Mesturino, the general manager of the Teatro Nuovo in Turin, runs the seven-week summer dance jamboree, now eight years old.

There are performances by Italian and foreign companies at the seven week-ends; one-night stands with 12 groups altogether, half of them of respectable international standard. But "Vignale Danza" also comprises a summer school, an attractive series of dance films and a choreography competition.

Although, unlike most open-air festivals, Vignale has some protection from the elements in the shape of a huge canopy-like structure that covers the stage and much of the audience, this is not proof against the driving rain that washed out the first three performances and interrupted another. Mesturino is now thinking of installing a more permanent structure; this would place Vignale well ahead of more famous festivals.

The success of the enterprise is undeniable: the square is full to overflowing, with many standing, and the inhabitants of the surrounding houses looking on from their balconies until the very end. The audiences (of approximately 2,000) applaud with unbridled enthusiasm throughout.

The graduates and senior students of Marika Besobrasova's justly reputed Monte Carlo school (the Academie de Danse Classique "Princesse Grace") gave a well-rehearsed and enjoyable programme, with a delightful performance of *Graduation Ball*. Turin ballerina Gabriella Cohen appeared with ex-Bolshoy dancer Vladimir Derevianko in a *pas de deux* from the suddenly popular *Raymonda*. Despite his temperamental unsuitability to princely roles, he danced with gratifying strength and style.

A group of 20 Soviet dancers concluded a brief Italian tour at Vignale. It is disappointing that the miscellaneous programmes of *ad hoc* Soviet groups seem to vary so little, the same old warhorses turning up time after time—plus comparatively new warhorses such as Bejart's pseudo-Indian *Bhakti* and Boris Eifman's embarrassingly coy and vulgar *Once Upon a Time there was a Circus*. Ludmilla Smorgacheva of the Kiev Opera Ballet appeared in both these pieces, showing technical facility but a completely wrong style in the Béjart. Her colleague Tatyana Tayakina made a much better impression in two *pas de deux*, in both of which she displayed a welcome lyricism as well as grace and sparkle. The excerpt from the Taglioni-Lacotte *Papillon*, with Vitaly Voloshin, was one of the jewels of the evening.

Freda Pitt

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Accountants face reform

THE accountancy profession is probably the largest vendor of financial services in Britain. All companies, after all, are legally obliged to purchase the services of accountants because of the statutory requirement to have their books audited every year. Yet, while the regulation of the rest of the financial services industry has been overhauled in the past few years, the accountancy profession has been left to its own devices. This splendid isolation ended abruptly yesterday when the Department of Trade and Industry issued a surprisingly tough consultative paper on the regulation of auditors.

The DTI's sudden interest in accountants has a mundane explanation. It has published the consultative paper at the last possible moment in order to be in a position to comply with the EEC's eighth company law directive, which was agreed in 1984 and is due for implementation in 1988. The slowness in bringing out the discussion document means that the directive will not take effect in the UK until 1990, two years after the target date.

The directive is worded sufficiently vaguely that Britain can probably meet its requirements without significantly reforming the existing regulatory framework. The DTI, however, is arguing that implementation of the directive gives the UK an opportunity to modernise its approach which should not be missed.

The present regulatory systems dates from the 1940s; some elements, for example the rule that incorporated companies cannot act as auditors, date from the 1920s. The business and financial environment has altered out of all recognition in the past six decades. It would not be surprising, therefore, if some adaption on the part of accountants were now necessary.

Financial services

The most important reforms now required are measures to ensure the independence of auditors. Small partnerships which once did little other than audit work have grown into huge multi-disciplinary firms offering a wide range of financial services to companies. Audit work now provides less than 50 per cent of the fee income of some large firms. In many instances firms which are auditing the books of companies on behalf of shareholders are also acting as management consultants to the directors. Many observers outside the accountancy profession believe this poses a fundamental conflict of interest.

The DTI sugegsts two ways in which independence might be guaranteed. The first option would be to follow the lead of some EEC countries and prohibit auditors from providing other services. This would recognise the fact that auditing is strictly speaking a regulatory, rather than a commercial, activity. Such a change, while having radical consequences for the big firms, would be in tune with the Audit Commission rules for the public sector which stipulate that the same firm cannot act as both auditor and management consultant to the same organisation.

The second possibility mentioned by the DTI is a new law requiring the rotation of auditors. Under existing arrangements a firm can audit the books of the same company for decades: a close indentification o! interests between aud?.or and management can be hard to avoid in such circumstances. If auditors were appointed for a fixed period, say five years, and could not seek re-appointment, they would be able to exert pressure on management without fearing the loss of business. Compulsory rotation of audits, with new firms being appointed only after competitive tenders, would also open up the profession to market disciplines.

Statutory body

EEC directives have to be implemented in a "legally binding manner." This means that the present regulatory system, whereby the Government simply "recognises" a private sector body such as the Institute of Chartered Accounand lets it get on with the ants in England and Wales regulation of its members, is no longer sufficient. It looks as though the DTI will have to set up a statutory body, along the lines of the General Medical Council, to regulate the profession.

This would probably be good both for accountants and for the business community. The profession would have a chance to unify itself: at present accountants are divided into different cases according to the prestige of the particular institute at which they qualified. Industry, for its part, would have to heed the pronouncements of a statutory body.

Malaysia chooses common sense

WHEN Dr Mahathir Mohamad, Malaysia's Prime Minister, called a snap general election last month, his country's prospects and his own future looked bleak.

Falling world commodity prices had pushed Malaysia's terms of trade so far into reverse that a second year of negative economic growth looked likely. Islamic fundamentalism appeared on the verge of making significant political gains while the country's economically powerful Chinese minority was becoming increasingly frustrated at its diminishing political role.

The Government, meanwhile, was still shadowed by the scandal surrounding the state-owned Bank Bumiputra, formed to foster Malay economic development, which lost $1bn in loans to Chinese property speculators in Hong Kong. There was a strong suspicion of corruption and, for the first time, Dr Mahathir's own position appeared seriously in question. His long-serving deputy, Datuk Musa Hitam, resigned to distance himself, apparently a shrewd move.

As it turned out Dr Mahathir's electoral gambit proved to be a total success, which has silenced his critics — at least for the time being. Final results of the election, held earlier this month, showed the 13-party National Front, which has ruled Malaysia since independence in 1957, winning a landslide. It has taken 148 of the 177 parliamentary seats, and won the legislative assemblies in all 11 west Malaysian states.

Commodity trap

The crushing defeat of the Party Islam, which won only one seat, has allayed fears of an imminent resurgence in Moslem fundamentalism.

Dr Mahathir's own position now appears unassailable in spite of a drop in the National Front's share of the popular vote and it would be tempting for the Prime Minister to savour his triumph for a time. It is not in Dr Mahathir's nature to be complacent, however. The election result may have given him some personal elbow room but it did nothing to solve Malaysia's deeper problems which he must now tackle with the help of his powerful mandate.

In one particular case, the growing racial polarisation in the country, the election may, in fact, have made matters worse as the Chinese (34 per cent of the population), Malays (48 per cent) and Indians (9 per cent) retreated into their respective political laagers.

The biggest challenge facing Dr Mahathir, however, is to break Malaysia free from the commodity trap, a predicament his country shares with many others in the developing world. As the Prime Minister recognised earlier this week, Malaysia has become dangerously dependent on the sale of commodities.

Malaysia's industrial sector, on the other hand, is too weak to compete effectively and make up the difference. At the same time, investment, especially foreign money, is discouraged from committing itself to Malaysia because of an economic policy designed not to generate growth but to discriminate in favour of the country's disadvantaged Malay population.

Strategic location

Dr Mahathir has made a start by introducing a timely, if modest, package of economic reform. Government projects are to be scrutinised more carefully, the civil service is to be held to its present size, and the privatisation of key state enterprises is to be speeded up. Dr Mahathir might start by casting a critical eye at his beloved Malaysian car project.

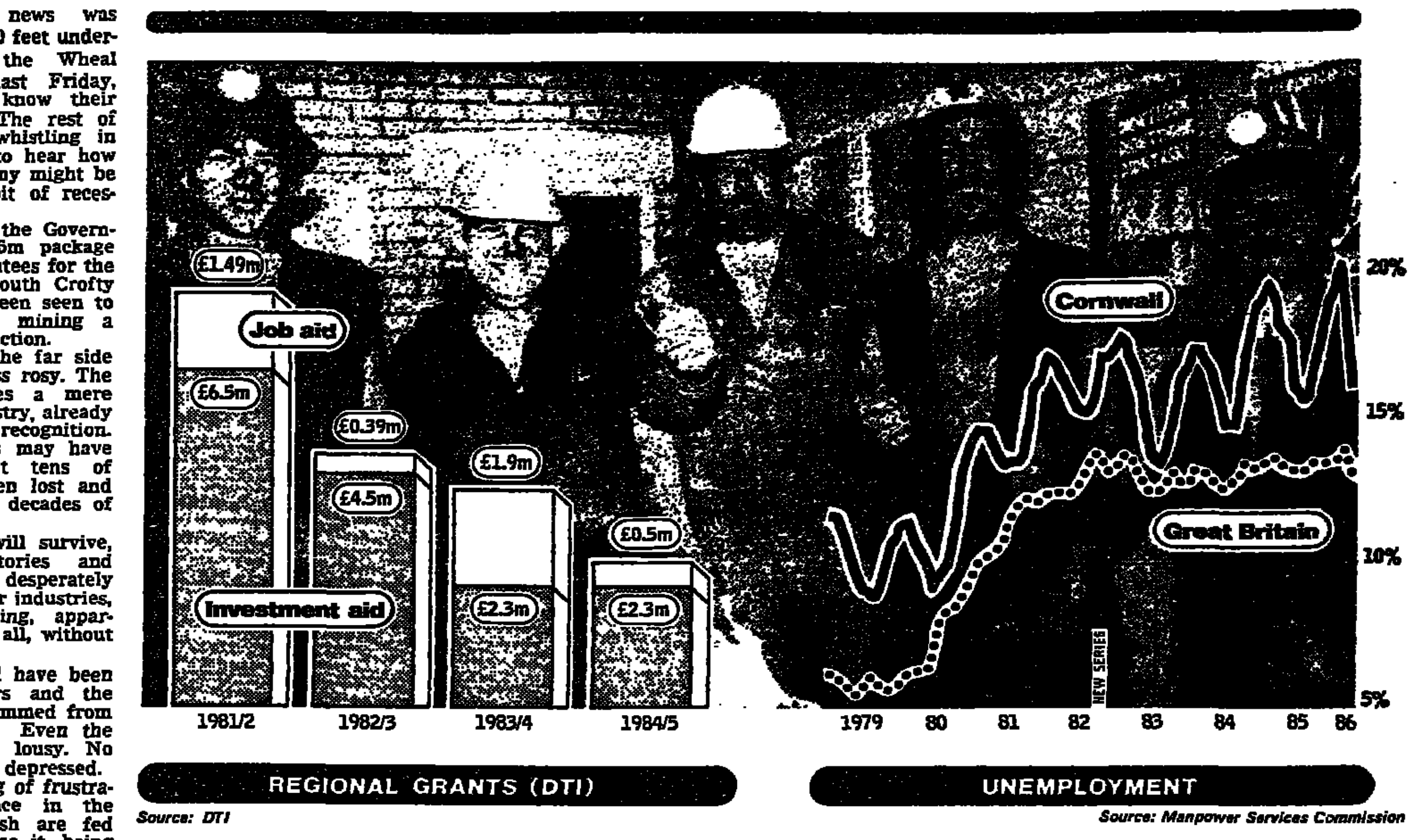
Dr Mahathir has also indicated that foreign investors are no longer bound by the rule which requires all projects to have a minimum 30 per cent Malay shareholding. In effect shelving one of the central pillars of the New Economic Policy (NEP) which seeks to transfer one-third of the country's wealth to the Bumiputras, or "sons of the soil," by 1990.

The NEP may once have been politically necessary to dampen Malay resentment against foreign and Chinese economic supremacy, thus increasing racial tensions. But, over the years, its arbitrary nature has discouraged economic growth by frightening away investors who were otherwise keen to capitalise on Malaysia's strategic location, its low wages and relatively high skills.

THE CORNISH ECONOMY

Granted: a stay of execution

By Fiona Thompson



REGIONAL GRANTS (DTI) — Source: DTI

UNEMPLOYMENT — Source: Manpower Services Commission

THE GOOD news was whistled 1,500 feet underground at the Wheal Jane tin mine last Friday, letting the men know their jobs were saved. The rest of Cornwall is left whistling in the dark, waiting to hear how the county's economy might be raised from the pit of recession.

On the surface, the Government, with its £25m package of loans and guarantees for the Wheal Jane and South Crofty mines, may have been seen to grant Cornish tin mining a reprieve from extinction.

The view from the far side of the Tamar is less rosy. The rescue act involves a mere remnant of an industry, already shrunk out of all recognition. One thousand jobs may have been secured; but tens of thousands have been lost and forgotten over the decades of decline.

Two tin mines will survive, but Cornish factories and workshops, and desperately needed jobs in other industries, have been vanishing, apparently for good and all, without let-up.

Cornish mackerel have been fished by outsiders and the cream has been skimmed from the holiday trade. Even the weather has been lousy. No wonder Cornwall is depressed.

There is a feeling of frustration and impotence in the county. The Cornish are fed up with, as they see it, being lumped in with the prosperous south-west in the nation's mind.

The region as a whole has one of the country's lowest levels of unemployment at 12 per cent, but Cornwall's in January this year was 20.5 per cent—or about 30,000 registered unemployed. The male jobless rate in June reached 22.9 per cent in the linked towns of Camborne and Redruth, and 23.4 per cent in Falmouth, the county's employment blackspots.

And although the south west is second only to the south east ir. terms of total personal income and spending power, Cornwall consistently ranks towards the bottom of county incomes and earnings league tables.

While news of the £25m aid package for the mines was greeted in the affected areas with what can only be called euphoria, it is clear that the aid can do little to tackle the underlying structural problems in the Cornish economy.

Mr Dave Pattinson, a principal planning officer for the county, highlights the economy's weaknesses: "We have a narrow employment base and a high proportion of people in low income jobs."

This is partly traditional: many jobs are in the poorly paid agriculture, tourism, retail and service sectors; there is a high proportion of self employed, lots of small companies —46 per cent of all employees work in companies with fewer than 25 employees — and a fairly low level of unionised workplaces. There are relatively few office-based jobs, which tend to be highly paid, and—apart from English China Clay in St Austell — no major companies have sited headquarters in Cornwall.

Local and Westminster officials are not hopeful about attracting hi-tech newcomers—not least because micro-electronics companies carrying out advanced research and development seek collaboration and recruitment from universities or colleges close at hand. These links would be difficult to develop in Cornwall which does not have a university and has only one higher education institution.

"Companies are not interested in hassles, they want to go where things are in place," said Mr Pattinson.

"We have the greatest difficulty in attracting industry here. You can't change geography; companies want to be at the hub of things, not on the periphery," said Mr Jon Davey, chairman of the employment committee of Kerrier District Council which covers Camborne/Redruth.

In 1984-85, Cornwall, with a population of 440,000 and 11 districts with assisted area status, received an estimated £10m-£15m in government aid. Though this does not appear out of line on a per capita basis with funding over the same period for the Welsh Development Agency (population 2.8m, aid £31.9m) and the Scottish Development Agency (population 5.1m, aid £137.2m) Cornish officials repeatedly complain at their lack of a development agency. The special incentives Cornwall could then offer prospective new businesses would be clearly welcomed.

Not for Camborne the promotional balloons flying over Milton Keynes. "Some areas spend more on advertising than our entire budget," said Mr Davey.

Though MPs have pressed for a development agency to be set up, in this, as with other issues, there can be no denying that Cornwall lacks political clout. It sends to Westminster only five MPs.

Their success in lobbying the Government over the tin issue, if indeed the decision can be put to their credit, cannot guarantee the long-term future of an industry which has a place in Cornish hearts out of all proportion to its true contribution to the economy in terms of jobs and its output.

Camborne, which grew up as a mining town, still gives pride of place to a statue of Richard Trevithick, the pioneer of steam power. Its school of mines enjoys an international reputation. And there are still plenty of people about who talk of the days when locals could climb the 749 ft Carnbrea Hill, overlooking Camborne and Redruth, and count 100 mines at work.

Today, on every horizon, there is a gaunt, roofless engine house with its *crumbling chimney stack*, relics of an industry that has run out of steam.

When Mr Paul Channon, the Trade and Industry Secretary, announced the aid package for Rio Tinto-Zinc, the multinational natural resources group which owns the Wheal Jane and South Crofty mines, he said there were excellent prospects for securing the tin industry for the foreseeable future.

The mines are at the moment receiving about £3,700 a tonne for their tin on operating costs of £6,400 a tonne, following last October's default of the International Tin Council and the subsequent collapse in prices from just over £8,500 a tonne. RTZ's modernisation programme assumes costs will be cut to between £5,100-£5,500 and that the world tin price will recover to perhaps £6,000 in ten years.

Mr Channon, though noting "exceptional circumstances" such as Cornwall's high level of unemployment, stressed that the main reason for granting the aid was the project's viability. But there must be some doubt about the Government's assertion that the world price will recover, at least in the time span envisaged, when other countries, too, are supporting their uneconomic tin mines and when 100,000 excess tonnes of tin are still in the market.

What is not in dispute is the effect, both economic and psychological, which the closure of the two mines would have had on the south west of the county, where entire communities depend on mining and where few other jobs exist.

"If the mines had gone it would have taken the male jobless rate for the Camborne/Redruth and Falmouth area to 30 per cent," said Mr David Penhaligon, the Liberal MP for Truro. The loss of the underground miners' wages—at £250 to £300 a week, high by Cornish standards—would have had a devastating effect on shops and service industries.

But what sometimes appears to be lost sight of is that only about 640 miners jobs and perhaps a few hundred more at supplier companies will be saved.

Despite the emphasis placed on the tin industry, in fact the biggest private sector employer is English China Clay, with 6,000 employees, though it, too, has shed labour as higher productivity has been demanded and achieved. The spoil heaps remain, a range of alien foothills—some bare, others covered in scrubby greenery—looming over the approaches to the town. The waste of Cornwall's potential workforce is not so obvious, but it is no less of a blight.

The recession has hit Cornwall's engineering industry hard. Manufacturing industry's share of the total workforce has dropped from 18 per cent to 15 per cent since 1979 and is diminishing all the time, according to Mr Colin Griffin, the county planning officer.

A drive through the town's Pool Industrial Estate highlights the decline in manufacturing industries. There are five cash-and-carry warehouses, a skill centre, two bakeries, one signwriter, a crafts workshop, a heavy goods vehicle driving test centre, glass, timber and ladder merchants, a Ford motor dealer, and one diecasting engineering works.

Falmouth has still not recovered from losing 1,000 jobs in the docks in the early 1980s. British Shipbuilders' cuts in the yards left only a few hundred employed; this has crawled back to 450 now.

Hopes are still held that the long mooted £78m privately-funded container terminal for the port will go ahead.

Cornwall has also seen a tremendous reduction in its agricultural labour force and in the number of working farms over the past 10-20 years, with some farmers becoming disillusioned and their smaller neighbours being squeezed out.

"We had 5,500 full-time farmers last year, probably half of the number farming when I came here over 20 years ago," said Mr Tony Robathan, secretary of the Cornish branch of the National Farmers' Union. In addition, there were 2,000 part-timers and a farm workforce of 3,900 in 1985.

Output was £219m last year, of which milk at £74.5m and cattle at £77.4m were by far the biggest earners. EEC milk quotas caused widespread panic when imposed in April 1984, and though some farmers "haven't done too badly, others feel hard done by, they feel their quotas were far too small," said Mr Robathan.

The fishing industry, of great importance to parts of the country, is feeling particularly beleaguered. Cornwall's fleet, which includes everything from distant water bulk-catch vessels to tiny 16 ft boats, has decreased drastically in the last 10 years. The Common Fisheries Policy with its restrictive quotas has not helped, according to Mrs Daphne Lawry, secretary of the Cornish Fish Producers Organisation and Cornwall Inshore Fishermen's Federation, which represents 200 skipper owners with 220 boats.

"The south-west fishing industry represents one quarter of the total British industry, the quality quarter too. We need to ensure that we get out fair dues under the EEC," she says.

Mackerel, the backbone of Cornwall's fishing industry, was wiped out three years ago because of massive overfishing by (according to the Federation) mainly Scottish bulk catchers. The EEC then imposed a three-year conservation "box" prohibiting bulk catching of mackerel which covers all of Cornwall's waters.

Nevertheless, the very qualities which have traditionally attracted tourists to the peninsula are also responsible for the steady influx of outsiders choosing to settle in Cornwall, in search of country living and, in some cases, early retirement homes. The population has grown by almost 50 per cent in the last 20 years and continues to increase at a rate of 6,000 a year.

The pity is that Cornwall is less attractive to employers than employees.

The year the weather has been particularly unkind to the tourist industry, already seen to be hampered by a lack of country-wide policy making which pits resorts against each other—rather than against Devon or Dubrovnik—in competition for holidaymakers.

Tourist provides work for 20,000 people—its seasonal nature causing the roller-coaster fluctuations of the employment graph—and contributes £250m to the county's economy. But business in 1986 is already slumping by at least 15 per cent on last year's figures. It never rains but it pours.

Men and Matters

Playing for high stakes

Sir John Collyear, chairman of AE, has become philosophic about the repeated take-over speculation surrounding his high technology engine components group.

Speaking from the London offices of adviser, Hill Samuel, about the improved offer from Turner and Newall, he likens Britain's attitude to manufacturing industry, and the position of his company, to a game of Monopoly.

"We have taken a long-term view, seeking an international strategy and investing in research and development. We are taking on the Japanese and the Germans and winning market share." He argues that it would be possible to change that strategy and show higher profits for a short period—say three to four years.

"It seems a peculiarly British attitude that the short-term view is taken. Across the Monopoly game board we face Germany, France, and Japan. But every time we pass Go we have to show an audit and the banks may choose to shift their money elsewhere. Meanwhile, our competitors are free to pursue real growth."

Collyear, who successfully staged a defence against GKN two years ago, says countering the Turner and Newall bid has been a seven-day-a-week job over the past two months. He returns nightly to his home in the Cotswolds but has had little time for his favourite recreation — playing a Steinway grand piano.

Silent service

Ever since the infamous "boom-box" (also known colloquially as the "ghetto-blaster") hit the New York sidewalks in the mid-1970s, citizens seeking a bit of peace and quiet have been trying to figure out a way to banish the portable stereo systems—or at least limit their intrusion.

Now New York city officials have finally come to the rescue. After the successful introduction of five "quiet zones" last summer—including one in Central Park's sheep meadow—the city fathers have added another batch of boom-box-free areas in 10 public parks and beaches.

'Nature needs no amplification," declared parks commissioner Henry Stern, noting that the existing radio-free zones had become overwhelmingly popular.

In the past year, just nine summonses—each carrying a $50 fine and the threat of equipment confiscation—have been issued for violations. "The only thing people have complained about was that there wasn't a radio-free zone in their neighbourhood park," said Stern.

The newly established "quiet zones" in parks and beaches across New York's five boroughs should help solve that problem. But for boom-box owners the message is at least as loud and clear as their amplified music—use headphones or leave the equipment at home.

Suez passage

Renaud de la Geniere, the eruditely crusty ex-governor of the Bank of France who has just been appointed chairman at the state-owned Compagnie Financiere de Suez group, appears to be quickly making his mark in his new surroundings.

De la Geniere, during his years at the central bank, gained a reputation for lecturing the Government on the virtues of sound money. But now that he has made the jump to a commercially operating organisation—and one near the top of the groups to be privatised—he is trying to tone down his stern image.

Since the end of last month, he has been poking his head persistently around doors in the Suez headquarters to introduce himself to staff.

De la Geniere, a confidant of Prime Minister Jacques Chirac, headed the Bank of France for five stormy years under both left and right wing administrations. And he is now making the best of a month-long period of "cohabitation" with the previous Suez chairman, Jean Peyrelevade, the *Socialist* who helped steer through the 1981 nationalisation programme. Peyrelevade still maintains an office both at Compagnie Financiere and its banking subsidiary, Banque Indosuez, of which he remains chairman until the end of the month.

Although some have questioned whether a central bank mandarin is the best person to lead Suez back into the private sector, de la Geniere is expected to give the group greater clout on the international financial circuit.

One possible source of tension will be his relationship with Antoine Jeancourt-Galignani, 49, the free-wheeling managing director of Banque Indosuez, who had been hoping to succeed Peyrelevade as the bank's chairman.

Like de la Geniere, a graduate of the elite Ecole Nationale d'Administration, the civil service training school, Jeancourt-Galignani looks likely to have to wait for another round of musical chairs in the Suez boardroom after denationalisation.

Faster food

Former Indian naval fighter pilot, Sant Chatwal, aged 39, made one fortune as a restaurateur in Addis Ababa by the age of 30. Then he lost it in the Marxist revolution.

He started again in New York and now runs the first Indian restaurant group to be quoted on Wall Street (it came to market last month).

His Bombay Palace Restaurants company is turning over $16m a year while his privately-owned businesses, including hotels and Mexican restaurants, are turning over a further $8m.

To Chatwal that is just the start of his dream of a worldwide chain of ethnic food restaurants. He has opened his latest, the Bokhara specialising in Indian "northern frontier food" off Regent Street, London, this week.

And his carefully-researched plans call for the group to open one new restaurant a month in a growing international chain. Each of his restaurants is designed to a formula to turn over between $1m and $1.5m a year.

Finding the cash for expansion is no longer a problem, he says, since going public in the US. He looks back wryly to his position three years ago when, financed almost wholly by Indian banks and paying stiff US interest rates, he was struggling to service the debt, "It almost killed me."

Chatwal wants to go public in London on the USM next year with a second company to run his European and Canadian restaurants.

The secret of his close control of a restaurant chain that already stretches from Hong Kong round the world to the US is, he says, handling data daily by computers. By lunchtime each day he knows in New York exactly how many meals he sold worldwide the previous night, and how much profit was made on them.

Fast and loose

Sign in the window of a Brooklyn tailor's shop: "Need a new suit quickly? See our wide variety of suits that are ready-to-wear without fitting."

Observer

THE PANAMA CANAL

Uncertainty in the isthmus

By Robert Graham, Latin America Editor

THE Panama Canal has become rather like a grand vintage car — finely built, fully operational but very conscious of its age.

Completed in 1914, the canal is one of the most remarkable feats of 20th century engineering. It has served world trade and Western defence well. But can it survive in the next century; and, if so, in what form? These questions are now being studied by a tripartite commission composed of representatives from the two main user nations, Japan and the US, and Panama which will take full control of the existing waterway in 1999.

As befits a study that involves so many imponderables about world trade patterns, the evolution of technology, new transport systems and long-term strategic needs, the commission does not expect to publish its conclusions for at least four years. It could take even longer since the three countries are approaching the study from differing stand points.

Tokyo and Panama City have fairly clear priorities. The Japanese, who account for one-third of all canal traffic, are anxious to ensure an efficient, cheap transit for their goods to the US East Coast. Panama is out to preserve and perhaps expand the value of an inter-oceanic transit system which is the country's principal political and economic asset.

But the US, which spent $344m in 1914 prices to build this vital strategic waterway and will continue to own it until handing over to Panama in 1999, is altogether more ambivalent. Washington's prime concern at present is to fulfil its obligations under the 1979 Canal Treaty, hammered out by President Jimmy Carter and the late Panamanian leader, General Omar Torrijos.

Under that treaty, the waterway is run by the Panama Canal Commission, an agency of the executive branch of the US Government. Presidential authority is exercised through the US Secretary of Defence and the Secretary of the Army, in recognition of the canal's strategic significance.

From deep water to deep water the existing canal is 51 miles long. Vessels are raised in three steps to the level of Gatun Lake—the main source of canal water—and then lowered again in three stages. The canal contains three sets of locks which are paired to permit simultaneous lockage of two vessels in the same or opposite directions.

It can handle up to 42 vessels a day; but the current average is 33, slightly up on last year when it was used by a total of 11,654 ships with a total net tonnage of 170m tons.

The present structure has one serious limitation: it cannot accommodate vessels over 65,000 tons. Supertankers and large bulk carriers are therefore eliminated as potential users, as indeed are large aircraft carriers.

Over the years improvements and refinements have been introduced. But one major improvement is outstanding: a $320m investment in widening the narrowest point of passage, the Gaillard Cut. This would enable vessels to pass in both directions for the full length of the waterway.

The age of the installations, especially the locks, poses a further problem. Built with turn-of-the-century technology, they are becoming more and more difficult and costly to maintain. Spare parts have to be custom-made. As a result, maintenance and minor improvements consume a quarter of the canal's annual $400m operating budget.

There are four options for the future of the canal, according to Mr Fernando Manfredo, deputy administrator and senior Panamanian on the board of the canal commission.

1—To build a sea-level canal.

2—To enlarge the existing canal with more locks.

3—To improve the canal alongside upgraded rail and road facilities.

4—To continue with the existing facilities.

By far the most ambitious and controversial option is the construction of a sea level canal. In effect, it would mean slicing a huge ditch through thick jungle and hilly terrain for more than 50 miles to link the two oceans. The feasibility of such a venture was considered in the 1970s when the canal treaty was being negotiated. While the appalling human difficulties of constructing the original canal no longer apply — the 43,000 workforce was decimated by malaria and tropical disease in the early years of the century, illnesses which have been brought largely under control — the costs would be prohibitive.

But it is not yet a dead letter; the 1979 treaty commits the US to consider a sea level canal, and the option must be fully explored. The chief attraction lies in the ease of transit, removing the need for locks and reducing maintenance.

The question of ownership and protection of a sea level canal must also be dealt with. After struggling to gain sovereignty over the existing waterway, Panama is reluctant to countenance another canal which it does not control. Yet with a foreign debt of $3.5bn, Panama is unlikely to be able to raise money for a canal costing more than seven times this amount.

For the US (which maintains 10,000 troops in Panama), defence considerations lurk behind all four options — even the case where nothing is done save retain the existing canal. The US is reluctant to support the cost of canal operations without some form of defence arrangement — an issue which will have to be faced in the latter 1990s before the treaty expires.

Almost 70 per cent of all traffic through the canal still originates in or ends up in the US. During the Second World War 24m tons of military supplies passed through the canal; in the course of the Korean War 12m tons transited; while during the Vietnam War, it was the main passage for most supplies.

The second option, constructing extra locks within the framework of the existing canal, is a far less costly proposition. But a decision will require a fairly accurate projection both of the volume of goods using the canal during the next century, and the form in which they will be carried.

Experts in the Canal Commission are extremely uncertain whether the volume of shipping using the canal will expand in the next century.

The peak period for transit was in the late 1960s. Since then, traffic has been affected by the two oil shocks in the 1970s, and in more recent years by the introduction of a trans-isthmus oil pipeline carrying North Slope Alaskan crude. Tolls have been kept low in order to retain custom—there has been only one increase in seven years. In real terms the toll is lower today than in 1979 (the current average toll per commercial vessel is $25,927).

The other imponderable concerns the nature of transport and of the goods themselves. The biggest change has been in the switch to container vessels. Fifteen years ago, 137 vessels classified as containerships crossed the Panama Canal, carrying a total cargo of 600,000 long tons. Now over 20m tons of cargo pass through in some 1,700 containerships annually.

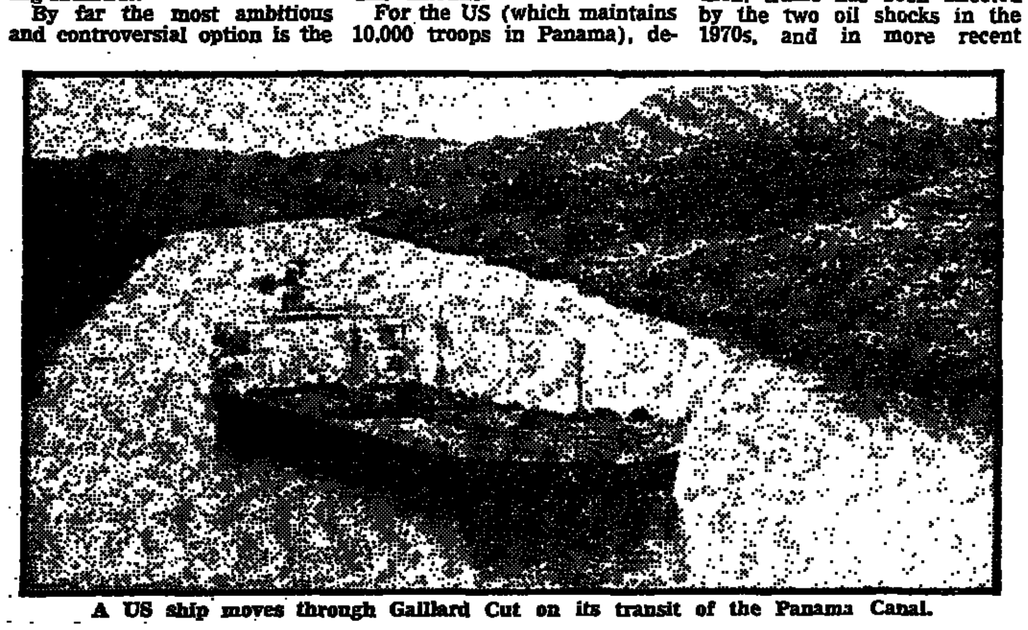
The changes in patterns of trade and transport are coming with bewildering speed, faster perhaps than a fixed installation like the canal can accommodate. For instance grain traffic, traditionally a mainstay, is now down to 17 per cent of the total, reflecting China's near self-sufficiency. What if China becomes a grain exporter in the 21st century? There is also the question of the future of petroleum and petroleum products which account for 19 per cent of traffic. Oil is a finite resource. Should plans for the 21st century envisage a decline in world oil production?

These questions are more easily raised than answered. But Mr Manfredo believes the existing canal has a future. He discounts sea-level canals and extra locks. "I see a multi-modal system of transport of which the canal would be the central part of the system." This involves improving existing road and rail links and developing the concept of a "single port." Vessels could either transit the canal or deposit their goods at one end of the isthmus to be picked up by another vessel at the other end.

Obviously the least attractive proposition for the Panamanians is that they be left with the existing waterway unchanged. But that could happen because of the way the treaty regulates the Commission's finances. The US is obliged to hand over the canal free of financial charges; but there is still a dispute about what charges remain and how they can be amortised.

Despite this, Panamanians are confident the US will accept the value of the canal as a working proposition.

The attraction of the third option, the canal as the central feature of multi-modal transport system, is that initial outlay could be modest, and the project adapted more easily to changing demand. But such is the pace of change that the study could end up like the painting of Scotland's Forth Bridge. Once it has been *finished they will have to start* all over again.



A US ship moves through Gaillard Cut on its transit of the Panama Canal.

Sterling exchange rate

Strong nerves needed

By John Muellbauer

SAMUEL BRITTAN (August 7) is dismissive of my comment (*Oxford Economic Policy Review*, autumn 1986) that UK international competitiveness was 23 per cent less in 1984-85 than in 1975-79. He regards the choice of years as "misleading" and says there is "nothing sacrosanct" in the base period. I challenge him to find *any* base period of five or more years that ends in or before 1979 that makes the deterioration in Britain's competitive position look less spectacular. Furthermore, of the two alternative IMF measures of competitiveness, I chose the one showing the smaller deterioration: the other shows a 38 per cent deterioration.

My proposition that the exchange rate "needs to be set on a firmly declining path" he sees as "the British economic establishment at its worst." He regards this remedy as unnecessary if we could tackle wage inflation.

Within current policy parameters, which exclude Mr Brittan's proposal, the main glint of hope in what seems an increasingly desperate economic situation is that the Chancellor will have nerves strong enough to allow sterling to fall further —I suggest to around DM 2.80 —without raising British interest rates. In current circumstances it is hard to believe this could cause another inflationary spiral.

The reasons are as follows. First, the UK inflation situation is better than it seems. This is implied by the empirical model of UK manufacturing discussed in my Oxford Review article. I estimate that producer price inflation over the last year has been more like 1½ per cent rather than the 4½ per cent recorded in the Central Statistical Office's figures. This is because actual transaction *prices which include discounts*, etc, are not always fully reflected in official figures, which include an element of list prices. List prices are lagging behind transaction prices because of the recent dramatic *drop in fuel and raw materials* prices and ferocious international competition.

Because of similar biases it is likely that producer price inflation in other countries outside the US is lower and industrial *growth higher* than the official figures show.

Second, many foreign exporters to the UK have high enough profit margins to absorb most of the proposed decline in sterling without raising prices. Third, some cost-reducing effects from the declines of the dollar, fuel and raw material prices have yet to feed through and the dollar may decline further.

Fourth, with recent falls in labour utilisation, a stimulus to output would *reduce* short-run unit labour costs because extra output can be produced with the existing workforce. Fifth, there are substantial lags before inflationary pressures from a drop in sterling feed through to retail prices. For all these reasons, such pressures are likely to be small and to have little effect on the next pay round. The US experience in the last year augurs well

Why Mr Lawson ought to get depreciation out of the way now

for the possibility in current circumstances of depreciating the currency without causing much inflation.

The most powerful argument of all is that *whatever Mr Lawson does, over the next year* or two the foreign exchange market will force sterling down. This is because of the gloomy balance of payments outlook caused by the UK's diminished industrial base and low prices *and production of North Sea* oil. A major reason why UK interest rates are so high relative to our competitors is that holders of gilts are being compensated for this expected depreciation of sterling. Pessimism that many feel now will turn to despair if Mr Lawson tries to resist market forces by maintaining or even raising relative interest rates, especially if the sterling decline, when it comes, occurs in a less friendly inflationary environment.

In contrast, if he gets a major part of the required depreciation out of the way now and signals the new target rate of sterling, he will generate a flood of Japanese and US buyers of gilts taking advantage of high UK yields. This will in itself stabilise sterling, prevent the free fall that must occasionally threaten Mr Lawson's dreams and allow UK interest rates to settle at substantially lower levels.

Again, the US experience in the last year supports this *optimistic prediction*. The US bond market rallied strongly after the fall in the dollar following last autumn's Group of Five agreement. Despite the US Government budget deficit, the bond market has withstood further falls in the dollar.

One of the benefits of lower interest rates would be on inflation. Another is for next year's public sector borrowing requirement. Yet another important benefit would be a long overdue cut in the astonishingly high rate of manufacturing company liquidations which has continued to grow despite the partial recovery of output in 1981-85.

I am sure that much of the "*British economic establishment*" and Mr Brittan would be delighted if Mr Lawson reduced the inflationary risks of this strategy further by adopting a proposal for wage restraint on the lines espoused by Mr Brittan (August 4) or by Professor Layard.

But that, no doubt, is more than one can hope for. However, *on its own* wage restraint would take years to have a significant effect on UK inter*national competitiveness*. This is why Mr Brittan is wrong to dismiss the necessity for a reduction in sterling now. Nor can I agree with those sections of the "British economic establishment," who believe that strong fiscal expansion is the right way out of the current predicament.

There is one danger of which Mr Lawson should be aware. Just as some of the world and UK slowdown in *industrial growth in the last* year was a statistical illusion, so some of the likely speed-up in the next year will look better than it really is. He should pay more attention to capacity utilisation, overtime hours and employment than to the CSO's measure of manufacturing output. Over the next year, the economy can easily handle a 6 per cent increase in this measure without inflationary risk.

The author is a Fellow of Nuffield College, Oxford.

Letters to the Editor

Taxing Finance Act

From Mr P. Cooke

Sir,—I must echo Nick Bunker's comments in his article (August 11, Lawson taxes accountants' patience — he certainly succeeded in taxing mine! We do indeed have an Act of monstrous proportions and complexity. In so many instances it has been difficult, if not impossible, to comprehend the mind of the draftsman and I have little doubt that the provisions of the Act will keep the courts extraordinarily busy for years to come.

Many of the problems associated with fiscal legislation derive from the fact that it has for far too long been considered appropriate to deal with detailed technical changes in the same Bill as that which implements more sensitive budgetary policy. This year's Act provides an unanswerable case in support of what tax practitioners have urged for a long time, namely a separate Autumn Bill devoted to technical changes which would not only allow time for greater consultation but would almost certainly result in a more acceptable standard of draftsmanship. An inordinate number of amendments and as many as six new clauses were added to this year's Bill (many of them on the nod) during the final day's proceedings.

I would also add my voice to the further complaint that the legislative process is being greatly abused by the ever increasing use of regulations which are brought in by statutory instrument. This year's Act sets yet another record in the number of instances where important provisions relating to matters such as the payroll deduction scheme for charitable giving, the personal equity plan, the new stamp duty reserve tax and pension scheme surpluses will all be introduced without thorough parliamentary scrutiny. This really is quite unjustifiable. Despite its age I would like to feel that the Renton Committee report is on Mr Lawson's holiday reading list.

Philip J. Cooke,
(National tax partner),
Ernst & Whinney,
3 Temple Row,
Birmingham.

Accounts are for shareholders

From Mr R. Instone

Sir,—The chairman of the Accounting Standards Committee has suggested (August 7) that the reason why the business *community other* than the accountancy profession has rejected reform of historical cost accounting is based on nothing more subtle than the fact that hitherto most versions of current cost accounting reported lower profits than does *historic cost accounting. Mr* Godfrey might have been less cynical if he had thought a little harder.

Companies' published accounts are primarily intended, both in practice and by statute, for their shareholders and debenture holders as investors. What investors are interested in is how the management have used the resources at their disposal during the accounting period, and how the results compare with those for the previous period, not whether the real value of a company's constituent assets or profits has gone up or down. Real values, moreover, depend on the purpose to which they are put: even cash is worth a good deal more in real terms this year than last, if you intend to buy oil with it.

CCA may well be a useful management tool. But however much it is refined (or simplified), it will inescapably remain *too* subjective to be worth inflicting upon investors—or financial commentators. And if the ASC is so enamoured of it, why is it not campaigning for the introduction of no par value shares?

Ralph Instone,
7 New Square,
Lincolns Inn WC2.

A warning to all

From the President, Society of Pension Consultants

Sir,—Mr Wynn (August 7) writes that leaving pension benefit design to market forces and creativity of actuaries has in practice resulted in designs which he deems unsatisfactory to all. This is not so. The designs have been the result of priority decisions by employers who have found them to be satisfactory by providing benefits at retirement related to then current earnings levels (final salary scheme) and giving a very adequate pension to loyal long serving employees who are also satisfied. Employers have not chosen to improve benefits of early leavers as their priority has been to provide as good as possible benefits for members retiring from their service as well as maintaining the purchasing power of the income of their current pensioners.

The Government has disagreed with the priorities of employers and has legislated to improve the benefits of early leavers — presumably the category of employee who has found scheme *design unsatisfactory. Mr Wynn* makes the mistake of believing that a money purchase benefit design will be satisfactory to all employees. This is not so and while it may be satisfactory to early leaves it will not be to those who remain with one employer for a considerable period of time. Inflation and promotion, particularly in the second half of a career, can mean that final earnings before retirement are substantially ahead of the pension which a money purchase scheme allows to be bought even after good, let alone average, investment returns.

The plight of pensioners who retired 10 years ago from schemes which had still retained a money purchase benefit design is a warning to all who consider it a satisfactory design to provide retirement income after a long career.

C. W. F. Low,
Ludgate House,
Ludgate Circus, EC4

Profit related pay

From the Director and Chief Executive, National Engineering Construction Employers' Association.

Sir,—Having read the article by Samuel Brittan which supported a proposal to combine tax concessions on profit related pay with a severe tax on pay increases above a 2 per cent norm. (August 4). I wish to draw attention to the impracticability of such an approach in the construction sector of the engineering industry.

The national agreement which we negotiated in 1981 has transformed our industry into one which can now complete major projects on time and within cost. This transformation has been due in large measure to the in*troduction of joint* controls at national level, which have eliminated all significant differences between the total earnings of workers on the various multi-contractor sites, thus ending a long history of leap-frogging claims, *local blackmail* and exploitable differences, which in the past have done so much harm to our industry.

It would therefore be immensely damaging if the ability to control these matters at national level were lost because of the introduction of tax measures of the kind now proposed. We must retain the capacity to harmonise earnings, which means that all employers are committed to apply nationally agreed increases, irrespective of their individual profitability. Any attempt to impose severe tax penalties on increases in excess of 2 per cent which were not profit related, would undermine *our ability to preserve an agree*ment at National Level.

The Government's consultative document on profit related pay and this latest idea both seem to assume that all wage bargaining is or should *be carried out at company or* establishment level and to ignore the very real need in some sectors for national bargaining. It is essential that these assumptions should be modified and that the particular *needs of industries such as ours* which, although small, is vital to the economy of the UK, will not be neglected if tax measures are introduced to encourage profit sharing.

John G. Porter,
Broadway House,
Tothill Street SW1.

Shoes are not Victorian

From the Secretary, Director Trade, British Footwear Manufacturers' Federation

Sir,—It was disappointing to read the comments in your Company News columns (August 8) attributed to a company chairman that "most shoe manufacturers are still living in . . . Victorian times." There may have been some truth in this 10 years ago, but it is emphatically not true today, as anyone in day-to-day touch with most manufacturers will testify.

Last year, for example, industry *output* was higher, productivity was higher, exports were higher, while imports and import penetration were both significantly down. Productivity, measured in output in pairs per employee, in 1985 was 9 per cent higher than in 1984 and no less than 35 per cent higher than in 1980. These figures understate the real increase as footwear is becoming more and more elaborate all the time.

The latest CBI survey tells us that 72 per cent of all investment in the industry is now aimed at increasing efficiency. And for the future 59 manufacturers are clubbing together with government support to commission a study to help *them realise the full potential* of new technology.

Behind these trends is a growing appreciation by manufacturers that new technology is helping the industry against overseas competition. It is already enabling costs to be substantially cut; more important, developments now coming in will enable domestic manufacturers to offer the much faster and more flexible response that retailers need to cater for ever faster changing consumer requirements.

W. N. S. Calvert,
72 Dean Street, W1.

FINANCIAL TIMES
Wednesday August 13 1986

Jim Jones explains how bullion may help South Africa to survive boycotts

Sanctions cloud has golden lining

Mr Don Mackay-Coghill, architect of the krugerrand's international success, is to move to Perth to develop a rival gold coin and jewellery marketing operation for the Western Australian Development Corporation. Mr Mackay-Coghill, at present chief executive of Intergold, marketing arm of South Africa's Chamber of Mines, believes that demand for krugerrands is far from dead despite bans on imports in many countries.

SOUTH AFRICA may turn out to be a principal beneficiary of the fears which have been sparked by the sanctions campaign against it. The resulting surge in gold prices to a 2½-year high has improved the country's ability to survive sanctions and export boycotts.

In theory, an increase of $70 on each of the 20m ounces of gold South Africa produces each year would allow it to replace the $1.4bn foreign exchange loss of a total block on coal exports. An increase of only $12 an ounce would replace the potential foreign exchange loss of a block on fruit exports.

These simple calculations, however, do not address many of the effects of a higher gold price on the South African economy.

South Africa's principal objective this year and next relates to foreign debt repayments, according to Mr Mike Brown, economist with Johannesburg stockbroker Davis, Borkum, Hare.

It wants to repay about $4bn of maturing debt which is not included in the moratorium on $14bn of the country's total $24bn in foreign debt and to handle the repayments already agreed on debts affected by the standstill.

By 1988 the country's foreign debt should be down to manageable proportions, Mr Brown said, with most held by European banks which are believed less likely than their US conterparts to pull out the rug from under South Africa's feet.

Mr Henry Kenney, economist for the Chamber of Mines, said that these continuing debt repayments would limit the inflationary effects of additional gold revenues. They should also restrain any rise in the external value of the rand, which has in any case failed to move above 40 US cents. This would reduce South Africa's ability to export competitively from behind sanctions barriers.

"You don't run a strong currency when you are trying to beat sanctions," Mr Brown concurred.

Mr Ronnie Bethlehem, economics adviser to mining house Johannesburg Consolidated Investment, doubts that higher gold prices will have an immediate effect on business confidence in South Africa. He points out that it took four years for confidence to recover from the Soweto uprising in 1976, and only then after a gold price of $850 an ounce and a budget filled with personal and corporate tax cuts.

Even though the direct advantages of higher gold revenues could be offset if foreign creditors demanded higher loan repayments at next year's debt rescheduling talks, there would be other indirect benefits which should form the platform for eventual economic recovery.

This year official gold reserves held by the South African Reserve Bank have been cut by a quarter – from 4.84m ounces at the start of the year to 3.67m at the end of July – as weak prices have compelled South Africa to ship bullion abroad to top up the value of the approximately 10m ounces held by foreign banks participating in gold swap deals. A rising gold price would put an end to this and should allow South Africa greater access to foreign exchange.

Although official gold holdings are strengthened in this way, the additional revenues reaching the mines would ensure that they did not hold back on the R3bn ($1.18bn) capital spending they have planned for next year.

This would not only assist economic recovery and create jobs, but also enhance the state's ability to spend on social projects. The taxman claws in about 80 per cent of every marginal rand earned by the gold mines, which means that a $50 gold price increase would put an additional R1.5bn in the Government's hands – enough to pay twice over for its recently-planned mass housing projects.

NZ defiant after US cuts defence links

By Dai Hayward in Wellington and Louise Kehoe in San Francisco

MR DAVID LANGE, the New Zealand Prime Minister, declared yesterday that his country would not be deterred from its anti-nuclear policy, despite the withdrawal of US security commitments under the 35-year-old Anzus defence alliance.

The US formally cut its defence ties with New Zealand late on Monday night at the conclusion of a two-day meeting in San Francisco between US and Australian ministers covering both defence and economic issues.

For the past 18 months New Zealand's Labour Government has banned visits by US nuclear armed or propelled warships. The US refuses to confirm or deny whether or not its warships are nuclear-armed.

While the US and Australia appeared to be drawing closer on defence issues in an effort to compensate for the absence of New Zealand in the tripartite defence arrangement, differences over US subsidised wheat sales to the Soviet Union clouded the talks.

In a joint statement, officials from both sides agreed that access for allied ships and aircraft to New Zealand was essential to the effectiveness of the alliance and that New Zealand's policies detract from the countries' "collective and individual" capacity to resist armed attack.

The statement added: "Under the circumstances, the US cannot be expected to carry out its security obligations to New Zealand. Accordingly, the US is suspending its security obligations to New Zealand under the Anzus treaty pending adequate corrective measures."

Australian officials were reported to have said that their country's support of the US position was stronger than it might have been because Mr George Shultz, the US Secretary of State, and Mr Caspar Weinberger, the US Defence Secretary, had agreed to "strong words" on trade issues.

Mr Kim Beazley, the Australian Defence Minister, said that his country would continue to maintain close defence ties but that Australia disagreed with New Zealand's policy.

Until now, Canberra has shown some understanding of Wellington's position.

Mr Shultz said that New Zealand had, in effect, withdrawn from the alliance but that Anzus remained strong and vigorous despite the absence of New Zealand.

Mr Weinberger, hinting at Washington's hope for a change of government in Wellington, said that if New Zealand ever changed its policy, it could rejoin the alliance.

In Wellington, Mr Lange rejected accusations from Sir Robert Muldoon, the former Prime Minister, that New Zealand was now undefended and that the Government's defence and foreign policies had been "shot to pieces."

Left unresolved at the talks was Australia's anger at the US for recently deciding to sell subsidised wheat to the Soviet Union and China, both major grain customers of Australia.

At the opening of the talks, Mr Bill Hayden, the Australian Foreign Minister, expressed the "genuine outrage" of the Australians at the US decision.

"Is this the way the US Congress treats old and firm allies?" he asked.

"The impact on the Australian economy will affect our ability to make purchases of defence equipment."

He emphasised, however, that there was "no linkage between defence and economic matters between the two countries."

THE LEX COLUMN

The bank that likes to say 'no'

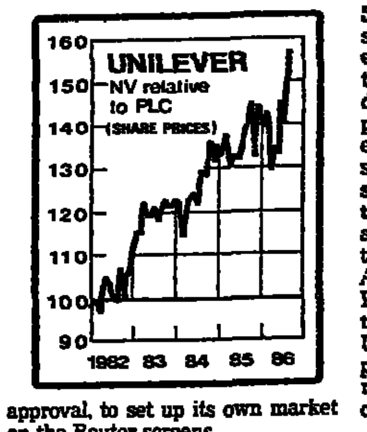
Having decided, contrary to the opinions of m'learned friends, that the TSB group is not a state-owned asset, those responsible for the flotation have still lumbered it with the kind of arbitrary limitations previously reserved for privatisations. But an attempt to bar foreign investors from the sale is a new twist. It is strange that a merchant bank which is owned to a considerable extent by French interests should be so blasé about what will undoubtedly be taken as a slight by investors in the European Community. It should in any case be possible for overseas investors to take part in the issue through UK nominee accounts, which makes the rule seem offensive without the benefits of efficiency.

But it is the measures designed to protect the company from takeover which are most peculiar. It is bad enough to limit any one investor in the first five years to no more than 5 per cent. This is defended as the means to give what is hardly a new company time to establish itself unmolested. But even that ropey argument can not be adduced in favour of Rule 2, which says that even after the five years are up, no investor may have more than 15 per cent of the shares. The only consolation is that, unlike British Gas, it will be possible for shareholders to vote to remove these iniquitous articles of association. So it will take a 75 per cent vote to gain control of TSB, rather than the customary bare majority. It is not as if there are no established channels that can be used to thwart a takeover not in the national interest.

Property

Suddenly the London Stock Exchange has decided that single asset property companies are not such dangerous investments after all. From now on it will consider for listing not just the highly respectable Property Income Certificate proposed by Richard Ellis and County Bank, but any other form of property securitisation. The potential dangers in this form of investment do not appear to have become noticeably weaker. What has changed is that Goldman Sachs and Barings demonstrated in June that if the London exchange won't wear it, then Luxembourg will. Even more alarming for the Tower, the Pincs brigade was all set, given SIB approval, to set up its own market on the Reuter screens.

To the extent that the stock exchange initiative will make a notoriously illiquid market less treacly it should be welcomed. And it hardly seems any more risky as a listed vehicle than the the Lasmo and Sun Oil options which are no more than investments in a single oil producing property.



Unilever

Whatever troubles Unilever has suffered in North America, it cannot complain of a lack of interest from US investors. Their buying explains a large part of the shares' outperformance of late: in 1982 they held only 7 per cent of the NV shares (the Dutch version), by 1985 21 per cent. Their preference for the NV shares also accounts for the historically wide discount the British PLC shares are now standing at, which is beginning to tempt even US investors into the latter.

Unilever's story has been one to play on Americans' enthusiasm. When the buying began the rating was well below US equivalents and the management seemed bent on restructuring with the bottom line in view. And they could watch it happening in their own market as Unilever fought the detergent giants. Perhaps that was why Wall Street was less surprised than London by yesterday's second quarter figures, showing a 24 per cent rise at the pre-tax level to £295m, and marked the shares down, leaving the PLC shares to close in London only 25p up at £18.

Cutting out lower margin turnover and making volume gains in some areas, though rarely as high as the 20 per cent in US detergents, helped operating margins up from 5.8 per cent to 7.3 per cent in the second quarter. Even Brazil enjoyed a consumer boom, if brief, and the Anderson Clayton acquisition did better than expected. Lower tea prices hit the plantations but boosted margins in Europe though the same did not work in oils. There are still problems to solve, and exceptional restructuring costs probably amounted to £35m or so in the quarter, a higher figure than last time. Acquisitions can also be expected. Depending on the incidence of further costs and marketing expenses, Unilever could just reach £1100m pre-tax this year, against £953m. A multiple around 11½ is still not excessive.

Turner/AE

Turner & Newall's first bid for AE may have been cheapskate, but its revised offer is positively munificent. The original capital gain on offer to AE's shareholders was only 5 per cent and got the treatment it deserved, but yesterday's revised terms – comprising a 46 per cent uplift on the last value of the old mixed offer and an underwritten cash alternative – was another matter altogether. AE's share price closed only 16 per cent up, at 234p and a small discount to the cash alternative. Turner is evidently in quite a hurry to complete before the engineering sector suffers any further loss of favour. And judging from its response to GKN's interim figures, the market is ready to entertain a cash offer.

The case for AE's independence would be stronger if it had not, in a moment of weakness, bartered it to GKN; but if there are virtues in a wider product range and customer base for AE's engine component business, it is not obvious that these will come with Turner's clutch or brake linings. Neither management has the edge. If the men installed by the City at Turner have done all asked of them, AE has not done much wrong either.

Because of Turner's accumulated tax losses, the City will enjoy AE's earnings almost tax-free and a cut in research costs might conceivably provide a further boost. However, earnings dilution will still be substantial and this seems quite a price for Turner shareholders to pay for the swamping of low-quality African earnings and asbestos exposure. AE shareholders may want to do without either.

Perpetual floater for Hydro-Quebec

By Clare Pearson in London

HYDRO-QUEBEC, the Province of Quebec's electric utility and Canada's second largest company in terms of assets, yesterday became the first corporate borrower to issue perpetual debt in the Euromarkets.

It launched a $400m undated floating rate Eurobond. Until now, the market for perpetual debt has been confined to sovereign borrowers and banks wishing to shore up their capital.

This issue is designed to put Hydro-Quebec's balance sheet on a more stable basis by transferring a substantial proportion of its debt from short-term to perpetual form. Proceeds will be used to repay most of the company's US commercial paper programme.

The company believes this is more appropriate, given the long life of its assets.

The issue follows lengthy discussions with the Canadian authorities about the bond's tax and legal status, as it is the first truly undated issue for a Canadian borrower. Canadian banks have recently issued several 99-year floating rate notes.

Credit Suisse First Boston, which led the deal, set its coupon at the lowest level yet on an undated floating rate note – ⅛-point over London interbank offered rate. Despite this, the market responded enthusiastically. Hydro-Quebec is a well-known name in the Eurobond market, having been a frequent borrower at both fixed and floating rates.

International capital markets, Page 14

UK accountants hostile to plan for changes in audit rules

BY LIONEL BARBER IN LONDON

BRITISH ACCOUNTANTS reacted with a mixture of scepticism and outright hostility yesterday to a UK government consultancy paper proposing wide-ranging changes in the regulations of auditors.

The paper, published by the Department of Trade and Industry (DTI), responds to a new EEC company law directive. Among the controversial proposals are splitting audit work from other accountancy services such as management consultancy and the rotation of company audits every five years.

The DTI emphasised yesterday that it had an open mind on the proposals, saying that they were one way of complying with the EEC directive which obliges member states to ensure that auditors' independence is safeguarded in national law, and that statutory audits are carried out with professional integrity.

In what appeared to be a pre-emptive strike, however, several accountancy firms and the Institute of Chartered Accountants in England and Wales criticised the options laid out in the paper.

Mr Brandon Gough, senior partner of Coopers & Lybrand, said that any move to segregate auditing from other accountancy work would damage recruitment into the profession. He said there was no firm evidence of the independence of the auditor being under threat. "The Government appears to be choking on a gnat," he said.

Mr Don Hanson, senior partner at Arthur Andersen, said that separating auditing from other work would be "expensive, disruptive and controversial for little or no gain."

Mr Bryan Blackborn, national audit partner at Deloitte Haskins & Sells, said that his firm was opposed to segregation. "Our clients deserve the right to receive a round package of services from us. It is to their benefit and to the investing public's benefit."

The Government is required to carry out the directive by 1988, though member states do not have to bring legislation into force until January 1990. The UK intends to take advantage of the gap to provoke debate.

Editorial comment, Page 10

Turner & Newall raises AE bid

BY LIONEL BARBER IN LONDON

TURNER & NEWALL, the British mining, automotive and engineering group, yesterday raised its bid for AE, the motor components concern, by £50m to £247m ($365m) and declared the offer final.

AE rejected the higher offer, dismissing it as a "desperate last move." Sir John Collyear, AE chairman, said that Turner had been forced to introduce a cash alternative because of the sharp fall in its share price, down 25 per cent since the first bid was revealed in June.

Mr Colin Hope, Turner managing director, continued to stress the competitive benefits of a merger. "AE will have a hard struggle to keep on paddling its own canoe," he said.

Yesterday, Turner bought AE shares in the London market, lifting its stake from just over 1 per cent to about 5 per cent.

Turner is offering one new share and 79p in cash for each AE share. On the basis of last night's closing price for Turner, down 5p to 177p, the offer values AE, up 32p to 234p, at 247p per share. There is a full cash alternative of 240p.

Turner, advised by N. M. Rothschild, is attempting to shift away from its mining roots and dependence on Africa and India through the proposed merger. If the bid is successful, around 75 per cent of the group's turnover would come from the US, Europe and the UK.

AE, which accepted a bid from fellow UK engineering firm GKN in 1983 but changed its mind before being saved finally by the Monopolies & Mergers Commission, has strong technical expertise in plastics and composites as well as engine components. The group is being advised by Hill Samuel.

Sir John said yesterday that AE would shortly be announcing a profit forecast for the current year. He said that this would show clearly that the price offered by Turner was "totally inadequate for the world's leading engineering company in its field."

AE reported pre-tax profits of £26.3m on turnover of £383m for the year to September 1985. Turner made £34.2m pre-tax on £535m turnover for the year ending last December.

Rate hopes aid equities

Continued from Page 1

Drew in London, believes that the markets may be disappointed in their expectations of interest rate cuts, but notes that they may be registering the feeling that the period of disinflation now is coming to an end.

He said the markets believed that US policy makers "have now decided the world needs a little bit more inflation."

Fears of renewed inflation were now attracting some fund managers to gold, he said, besides the concern over the disruption of South African supplies that had prompted the recent surge in precious metals.

Gold and platinum prices held on yesterday to most of the gains made in hectic trading on Friday and Monday. Traders said that while some investors took profits, others stayed in the market looking for any sign of a renewed upsurge in prices.

In London, gold closed at $384.25 an ounce, down $2.75 from Monday's close which was the highest since early 1984. Platinum closed $8 lower at $536.50 an ounce. In New York, gold continued to fall in busy trading, with metal for December delivery changing hands on the Commodity Exchange in New York at $393.1 an ounce, down $5.40, in late trading.

Platinum prices held up better, moving up on the New York Mercantile Exchange from an opening of $528 an ounce for October metal to $544.50 in late trading – $3.60 down on the previous close.

In the foreign exchange markets, trading was much slacker after an initial flurry in the morning in Europe had taken both the dollar and sterling higher

Botha poll warning

Continued from Page 1

en to the large black townships and proposed they should receive full autonomy as "city states."

He also emphasised the Government's continuing commitment to its homeland policy. He said the homelands citizens enjoyed "more freedom than most citizens of other states in Africa."

He strongly criticised the Commonwealth, "with its many dictatorships and one-party states" and he said the refusal of the Commonwealth and other members of the United Nations to refuse to recognise the independence of the four so-called independent homelands was "ridiculous."

Referring to sanctions, Mr Botha said: "We reject interference in our domestic affairs. We do not desire sanctions but if we have to suffer them for the sake of maintaining freedom, justice and order we will survive them."

"Not only will we survive; we will emerge stronger on the other side."

He added: "Our continuing endeavour towards self sufficiency and increasing our export capacity will be our repeated response to international punitive measures in every field of life."

To applause, Mr Botha said at the beginning of his speech: "We are a free and sovereign country. We are not the colonial lackeys of any other state or power block."

Accusing the Western world of hypocrisy and double standards, he said that South Africa was now being presented as being worse than the Soviet Union, while at the same time the West tolerated the Berlin Wall and Communist tyranny over Poland, Afghanistan and other countries.

Iraq attacks oil tankers

Continued from Page 1

– for an expected autumn ground offensive against Iraq.

Last Thursday a successful attack against Kharg Island left six out of 10 berths at Kharg out of action. The more important Sea Island there is apparently intact. By the end of last week it was estimated that about half of the tanker capacity employed by Iran on the Sirri Island shuttle had been crippled.

Last month Iran completed a new makeshift trans-shipment terminal, Val Fajr-2 on Larak Island, close to the Strait of Hormuz around the dog's leg formed by south-east Iran. For technical reasons, however, it has not been operating, according to traders. It is believed that the Iraqi F1s can hit this facility as well.

In addition, Iran has more limited export capacity because of two large single mooring buoys near Gawaneh. These are much less vulnerable to attack because they are close to land.

World Weather

Readings at mid-day yesterday: C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

TSB sets share terms

Continued from Page 1

● Free shares will be on offer. Eligible employees, numbering 26,000, will be entitled to £150 worth free, and there will be a one-for-10 loyalty bonus on shareholdings of £5,000 and less which are kept for the first three years.

● Cut-price dealing arrangements have been made with several provincial stockbrokers which will enable small shareholders to buy and sell TSB shares at a commission rate of about 1.65 per cent. Most brokers usually have a £15 minimum charge.

Tough measures will be taken to prevent professional stags making big profits out of the flotation. Lazard has appointed Peat Marwick Mitchell, the UK-based chartered accountants, to police the issue and eliminate multiple applications.

"We have set up very rigorous systems indeed to prevent multiple applications getting through and the TSB is reserving the right to prosecute offenders," Mr Clegg said.

The TSB said yesterday that 1.6m people had registered with its share information office so far – 1.1m of them priority applicants and the rest members of the public.

"It's very encouraging," the TSB said. "We have already received more inquiries than British Telecom did in the whole of its campaign, and we still have another month to go."

SECTION II – COMPANIES AND MARKETS

FINANCIAL TIMES

Wednesday August 13 1986

Wickes sweetens bid for Owens-Corning Fiberglas

BY PAUL TAYLOR IN NEW YORK

WICKES COMPANIES, the US building products and retailing group, yesterday launched a sweetened $74-a-share or $2.1bn hostile cash tender offer for Owens-Corning Fiberglas.

The Santa-Monica, California-based group, whose initial $70-a-share friendly takeover bid was rebuffed by Owens-Corning's management, said it is seeking to buy all of the 91.5 per cent of the Owens-Corning shares it does not already own. Wickes has already built up a 2.53m share, or 8.5 per cent stake in its target.

On the New York Stock Exchange yesterday investors bid up Owens-Corning's share price to $79¼, up from $61½ 10 days ago before the initial Wickes bid and well above the tender price indicating speculation that stock traders expect further offers to drive up the bid price. Owens said yesterday that its board would "study" the Wickes offer.

The offer came late on Monday after initial talks between the two companies apparently collapsed. Owens-Corning's primary products include fibreglass materials, polyester resins and composite materials used in construction, cars and boats. It is believed to have told Wickes that it wished to remain independent but was willing to consider the sale of certain assets such as its aerospace technology company bought last September.

Wickes, which bid unsuccessfully for the Dallas-based National Gypsum earlier this year, apparently said it was only interested in buying the whole of Owens-Corning and would not consider selling its stake back to the company at a profit.

Wickes reported net profits of $28.1m on sales of $2.8bn last year but has been expanding its operations rapidly, including the acquisition of Gulf & Western's consumer and industrial products group in last autumn. It is believed to have an acquisition cash war chest totalling about $1bn.

After filing for Chapter 11 protection from its creditors in April 1982 when it reported a $143.5m loss, the company has bounced back into profitability and emerged from bankrupty court proceedings at the start of last year.

The acquisition of Owens-Corning, the world's leading manufacturer of fibreglass products, would represent a major coup for Wickes.

Veba lifts profits despite sales drop

By David Brown in Frankfurt

VEBA, the West German energy conglomerate in which the Bonn Government hopes to privatise its 25 per cent shareholding next year, has reported improved profitability in the first half to end-June.

The group – one of Germany's largest in terms of turnover – raised after-tax income to DM 303m ($146.3m) against DM 295m during the same period a year earlier.

The improvement came against the background of dropping sales, mainly because of the lower US dollar exchange rate, and the fall in crude oil prices, but also the disposal of operations by the chemicals division last year.

The value of group turnover fell by 16 per cent to DM 20bn, with the sharpest percentage drops in the trading and petroleum divisions.

Order books were described as satisfactory. Volume sales were ahead – in most areas except electric power – and capacity utilisation, again excepting power, ranged from 85 per cent to near peak levels.

"Good results" were achieved by all divisions except oil, which was forced to devalue inventories because of the drop in oil prices but none the less managed to hold profit steady.

The group has trimmed its oil exploration and development budget and, taking into account the completion of large electric power stations, investments in the first half declined from DM 1.4bn last year to DM 991m.

Veba said that it planned to acquire the remaining 49.9 per cent of the BKB power company from VIAG, the aluminium, energy and chemicals group, for an unspecified sum later this year

DISMAL RESULTS AT MONTREAL-BASED GROUP REFLECT INDUSTRY TREND

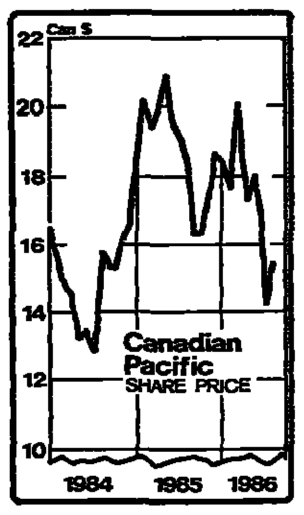
CanPac takes it on the chin

BY ROBERT GIBBENS IN MONTREAL

CANADIAN PACIFIC's dismal first-half results, released earlier this week, are a graphic illustration of how nearly all the Montreal-based conglomerate's transport, resources and metals operations are taking it on the chin from low commodity prices.

CP, now one holding company after the exchange of its shares for those of CP Enterprises last year, has seen its shares dwindle from a high then of C$20 (US$14.4) to about C$13, the lowest for more than 50 years. It gives a warning that the outlook for the rest of 1986 remains dominated by lower oil prices and poor traffic levels on its railway and at CP Air, the airline subsidiary.

The company reported a second-quarter loss of C$282.8m following a C$362.5m charge, mostly covering writedowns in the shipping operations and in steel and steel products. For the first six months of the year, operating earnings were C$88.1m or 29 cents a share, against C$141m or 66 cents, but after the charge there was a final net loss of *C$274m this time. Revenues,* meanwhile, slipped from C$7.6bn in the first half of 1985 to C$7.5bn.



CP, Canada's largest company after General Motors' subsidiary, has made big efforts to trim its worst-performing subsidiaries, while costs have been pared at headquarters, ships sold off and container services rationalised.

However, the dollar exchange *rate, depressed prices for virtually* all non-ferrous metals, the inability of its Amca International unit to compete internationally in engineered products and a longer-than-expected downturn in forest products have all contributed to CP's woes.

DOME PETROLEUM, the struggling Canadian energy group, is preparing yet another proposal to its banking creditors to be presented later this month. Meanwhile, it has reported sharply lower revenues for the first half and a return to big losses. First-half loss was C$182m ($140m) against a loss of C$21m a year earlier on revenues of C$808m against C$1.1bn. Second-quarter loss was C$110m against profit of C$2m on revenues of C$339m against C$537m.

The railway unit hoped to be gaining strength this year, but now the prospects for strong traffic gains have waned as freight traffic has declined, especially in the second quarter. However, its subsidiary, Soo Line in the US, is on the recovery path.

Elsewhere, CP Air had a C$30m *loss, with higher fares failing to off*set low yield levels and higher operating costs. The hotels, also part of CP Air, did not do well. A plan to merge CP hotels and Canadian National Railways Hotels early this *year foundered because a price* could not be agreed.

Bulk shipping losses increased and the North Atlantic container operations suffered from lower westbound traffic and poor rates eastbound. Trucks turned around to a profit and the Marathon Realty property development unit was up sharply. Telecommunications profits were lower.

Algoma Steel, a long-time trouble spot, turned in a larger loss at C$23.2m, excluding writedowns, because of poor selling prices and sluggish demand for pipe. CP indirectly is pumping nearly C$200m into Algoma to help to reduce its heavy debt.

This is being done through the sale by Algoma of its 35 per cent interest in Amca International, the engineered products unit operating mainly in the US, to the parent company for C$193m cash. CP itself will now own 50.6 per cent of Amca, which already has a big debt load and is selling unwanted assets.

Finally, PanCanadian Petroleum, *one of the most successful oil and* gas firms in western Canada, and a mainstay of CP's consolidated profits for five or six years, is now lagging because of the drop in energy prices.

UK advertising group sees new resignation

By Alice Rawsthorn in London

GOOD RELATIONS, the UK advertising and public relations group, yesterday announced the resignation of another main board director, Mr Jeremy Wyatt. His resignation comes amid a stream of bid speculation and just two days before the publication of Good Relations' interim results, which are expected to show a sharp fall in profits.

Mr Wyatt, who is the managing director of Good Relations' corporate communications division, is the fourth main board director to leave in less than a year. He intends to join Communications Strategy, a privately-owned public relations consultancy which plans to go public next year, as a director.

Six members of the corporate communications division will leave with him, including two directors.

Quaker to sell retail unit as earnings rise

BY OUR NEW YORK STAFF

QUAKER OATS, the US food, toys and speciality retailing group, yesterday put its retailing business up for sale in order to focus more closely on its US grocery and Fisher Price toy operations.

Quaker, which also reported a 15.7 per cent increase in fiscal fourth-quarter net earnings yesterday, said it had retained Goldman Sachs and Salomon Brothers to find buyers for the speciality retailing operations.

The speciality retailing opera*tions put on the auction block con*sist of three businesses: Jos, a manufacturer and retailer of men and women's apparel and accessories; Brookstore, a retail and mail order marketer of tools and housewares; and Eyelab, a chain of optical stores. Together the three units had fiscal 1986 sales of $216.8m, about 6 per cent of Quaker Oat's total sales.

Quaker Oats said that the planned divestiture was expected to result in a gain. However, the company did not estimate the size of the gain or its timing.

The Chicago-based group – whose food products include Quaker Oats cereals and Aunt Jemima pancake mixes and which recently agreed to acquire Gaines Foods from Anderson Clayton for about $235m to add to its pet food operations – has been steadily expanding its food and toy businesses.

Quaker Oats' *fiscal fourth-quar*ter net earnings of $73.1m, or $1.86 a share, compared with $63.2m, or $1.54, in the year-ago quarter on sales which advanced from $934.4m to $1.03bn.

For the full fiscal year Quaker reported net earnings from continuing operations of $174.2m, or $4.35 a share, on sales of $3.67bn

Libya to keep 15% Fiat shareholding

BY ALAN FRIEDMAN IN MILAN

THE LIBYAN Arab Foreign Investment Company (Lafico), which holds a 15 per cent equity stake in Italy's Fiat group, said yesterday that Libya had no plans to sell its shareholding.

The strong denial of any intent to sell, which came from Mr Mohammed Shetewi Naas, Rome director of investments for Lafico, followed press reports in Italy that the Libyans were ready to sell their Fiat stake, valued at $2.8bn, to IFI, the Agnelli family holding vehicle, which controls 31.3 per cent of Fiat shares.

Mr Naas said the reports, which quoted him as saying Libya was ready to sell "are not true". He thought Fiat a good investment for Libya and declared a desire to buy more shares in the Turin-based company.

Mr Abdurrahaman Shalgam, the Libyan Ambassador in Rome, last night said Libya had just paid $95m to subscribe its portion of a Fiat rights issue. "That is certainly not an indication that we are about to sell."

Mr Gianni Agnelli, Fiat chairman, has in recent months expressed interest in buying out the Libyan share stake, which is worth more than 10 times the initial investment made by Lafico in 1976.

That agreement of 1976, which led to the appointment of two Libyan members to the Fiat board, contains a clause giving the Agnelli family first option should the Libyans ever wish to sell.

The Libyan share participation in Fiat has already caused difficulties for the Italian group in its dealings with the US Government, where it is seeking a slice of the business related to President Ronald Reagan's Star Wars programme.

In May, the Pentagon blocked a $7.9m contract awarded to the Fiat-Allis earth-moving equipment subsidiary. The personal opposition of Mr Caspar Weinberger, the US Defence Secretary, was based on the Reagan Administration's policy of not doing business with any companies it believes to be substantially owned by Libya.

INTL. COMPANIES & FINANCE

UEP plans share issue to raise $77.6m

By Wong Sulong in Kuala Lumpur

UNITED ESTATES Projects (UEP), one of the biggest Malaysian property developers, is to make an issue of special category shares to raise 202.2m Ringgit ($77.6m) in order to reduce its high gearing.

The one-for-one share issue, priced at 1 Ringgit par value, will carry an annual gross dividend of 9.5 per cent, and can be converted to ordinary shares at par from 1988.

UEP, developer of the highly successful Subang Jaya township outside Kuala Lumpur, said that since 1984 it had made several major acquisitions, including Seafield Jaya, to replenish its holdings of its undeveloped land with the near-completion of Subang Jaya.

These acquisitions cost 255m ringgit and resulted in borrowings rising significantly to 248m ringgit compared with shareholders' funds of 346m ringgit.

UEP said the funds from the share issue "would be fully applied towards reduction of the group's borrowings," and the resulting reduction in interest charges would contribute towards profitability of the group.

Two major shareholders — Sime Darby which holds 49.2 per cent of UEP, and Amanah Saham Nasional, which has 26.3 per cent — have indicated their intention to subscribe to their entitlement, and would also take up any shares not taken up by minority shareholders. UEP shares are currently traded at around their par value.

Earnings of UEP have been hit by the collapse of the property market, and a pre-tax profit of 22m ringgit is projected for the 18 months to June 1987, compared with 35m ringgit for the 12 months to December 1985, and 59m ringgit for 1984.

Qantas decline

OPERATING PROFITS of Qantas, Australia's national flag carrier, have dropped 29.2 per cent to A$44.4m (US$26.9m) for the year to March 31, down from the record A$62.7m the previous year, AP-DJ reports from Sydney.

Mr Jim Leslie, chairman, said the decline was due to the lower Australian dollar,

US stores' earnings increase on higher consumer spending

BY TERRY BYLAND IN NEW YORK

FURTHER INDICATIONS of the pace of consumer spending in the US came yesterday when J. C. Penney, F. W. Woolworth, The Limited and Wal-Mart stores reported higher earnings for the second quarter.

Optimism for the second half-year was expressed by Mr William Howell, chairman of Penney, and Mr Leslie Wexner, chairman of Ohio-based Limited. Wall Street has shown doubts over the outlook for consumer spending in the wake of July sales figures disclosed last week by leading retailers.

Penney, third largest US retailer, met analysts' forecasts with record operating earnings of $57m or 75 cents a share on sales increased from $3bn to $3.2bn. After a tax charge on its restructuring, Penney's final net for the quarter was $48m or 60 cents against the previous net of $30m or 40 cents.

The half-year shows an 8.6 per cent sales gain to $6.3bn. Net earnings have risen by 36 per cent to $109m or $1.44 after a debt restructuring charge of $35m.

A continuation of improving sales and operating performance for the second half was predicted by Mr Howell.

Woolworth, after a strong first quarter, pushed net earnings ahead by a further 29 per cent to $35m or 54 cents a share in the second three-month period, bringing six-month net to $48m or 74 cents, a 45 per cent gain.

The fall in the dollar has boosted Woolworth's overseas sales, which gained 13 per cent in the second quarter and 15.2 per cent in the first half. If both had been translated at 1985 foreign exchange rates, the gains would have been trimmed to a 4 per cent and 6.2 per cent respectively. Total sales for the first half increased from $2.6bn to $2.9bn.

The Limited achieved record sales and earnings for the quarter. Net income jumped 26 per cent to $40.2m or 22 cents a share after adjusting for the stock split. Sales gained 32 per cent to $695m. For the six months, net was 52 per cent up at $71.6m or 39 cents and on a 38 per cent sales gain to $1.4bn.

Wal-Mart lifted second quarter net by 34 per cent to $95.9m or 34 cents on sales of $2.8bn against $1.9bn. Six month net was 37 per cent up at $169.3m or 60 cents on sales of $5.1bn compared with $3.6bn a year ago.

SACM-T goes into liquidation

BY DAVID MARSH IN PARIS

SOCIETE Alsacienne de Construction de Material Textile (SACM-T), France's longest-established manufacturer of textile machinery, is to be liquidated after a long battle against financial problems.

The liquidation, pronounced at the commercial court of Mulhouse in eastern France, comes almost two years after the company was placed in receivership. The SACM group is majority owned by the Paris bourse quoted Societe Alsacienne de Participations Industrielles (Alspi) in which the state-owned Compagnie Financiere de Suez has a stake.

SACM-T made total losses last year of FFr 79m ($11.5m) on turnover of FFr 150m.

The largest company in the group, Societe Alsacienne de Constructions Mecaniques, one of France's largest diesel engine manufacturers, is continuing to work normally.

Officials at SACM-T said part of the company's activities, including its UR-1000 microprocessor controlled automatic weaving machine, may be taken over by another textile machinery group. A French subsidiary of Saurer, the Swiss manufacturer, is among the bidders.

The SACM group, for years the largest employer in Mulhouse near the Swiss border, has roots going back to 1826. Among the many purposes to which its 60-acre factory site on the Rhine Rhone canal has been put was the manufacture of armaments during war-time occupation by the Germans.

SACM-T's workforce has fallen to 324 from 3,000 10 years ago. It was cut by 750 at the beginning of last year, and many of the remaining employees are likely to lose their jobs under the liquidation depending on the outcome of talks with potential purchasers.

Denmark calls for brokers' accounts

BY HILARY BARNES IN COPENHAGEN

THE DANISH Bank Inspectorate has sent a letter to all 28 firms authorised to deal on the Copenhagen stock exchange asking them to submit audited financial reports by the end of the month.

Officials at the Inspectorate denied that the letter was sent in the light of losses known to have been suffered by several firms recently as a result of falling bond and share prices.

"There is no real reason to link the two," said an official. He added that the demands for financial statements were part of a general tightening up of the supervision of broking companies under the terms of a new law regulating the stock exchange.

The new legislation says, among other things, that broking firms must maintain a minimum capital ratio to guarantees and liabilities of 8 per cent. Previously there was no legal lower limit.

Doubts about the financial health of the Copenhagen stockbroking community have arisen following the recent stock market shakeout—share prices are currently 20 per cent below their April peaks—plus the failure of a small, unlicensed broker.

Last month one of the major broking houses, IS Monies, issued a statement at the request of the bourse confirming that it could meet all short-term obligations.

At the same time another major broker, Lannung, gave the Bank Inspectorate assurances that its financial position was sound following the collapse of an investment company for which Lannung acted.

US chips company announces job cuts

By Louise Kehoe in San Francisco

THE US semiconductor industry slump continues to take its toll in Silicon Valley where Advanced Micro Devices (AMD) has announced that it will abandon its "no job cuts" policy in mid-October and dismiss 200 short-term employees this week.

For AMD, the announcement marks the end of a decade-long effort to guarantee workers their jobs despite the dramatic swings of fortune in the US semiconductor market. But the industry recession, which began two years ago, has strained AMD's resources to the limit. The company reported a net loss of $28m on revenues of $154m in its latest quarter.

While other US chip makers have closed plants and laid off thousands of workers, AMD maintained a strict no job cuts policy. "But conditions have come to the point now where we are left with no choice but to rescind our policy in order to remain internationally competitive," the company said.

AMD also announced this week that it was withdrawing from the market for dynamic random access memories (Dram). The company has maintained only a minimal presence in the Dram business for the past few years.

New industry statistics on Monday indicate that the industry-wide recession is far from over. US chip sales, which typically dip in the summer months, showed a much steeper than expected decline in July, falling 11.4 per cent from the previous month.

Shipments dropped by 14 per cent in July to $658m, according to the Semiconductor Industry Association, a trade group representing US chip makers.

Pickens sees continued energy slump

OIL and gas drilling in the US will remain at its current low levels until the mid-1990's, Mr T. Boone Pickens, the Texas oilman, told the annual meeting of the American Bar Association, Reuter reports from New York.

"You're looking at well beyond 1990 before you see drilling activity pick-up," Mr Pickens said. "Drilling won't recover until oil hits $35 a barrel and looks like its going to hit $50."

There were 734 drilling rigs operating in the US this week, compared to more than 1900 late last year, he said.

Of the active rigs in the US only 50 were "wildcats" and the rest were involved in infill and development.

"You have only 50 rigs in America today looking for oil and gas," he said.

Mr Pickens said the low level of drilling would cut US crude oil production from 9m barrels per day currently to 8m barrels per day by the summer of 1987, and would also help end the natural gas deliverability surplus by 1989-1990.

Mr Pickens told the lawyers association that he saw oil prices recovering to $18-20 by year's end and rising to $28 a barrel within 2 years.

N. AMERICAN QUARTERLIES

CANADA DEVELOPMENT
Industrial holding company

	1986 C$	1985 C$
Second quarter		
Revenue	698.5m	822.3m
Net profits	†8.8m	53.0m
Net per share	†0.62	1.09
Six months		
Revenue	1.53bn	1.64bn
Net profits	1.8m	66.1m
Net per share	0.73	1.13

† Loss

CHARTER CO.
Oil refining

	1986 $	1985 $
Second quarter		
Revenue	293.2m	391.6m
Net profits	40.0m	7.6m
Net per share	2.13	0.26
Six months		
Revenue	594.5m	774.9m
Net profits	29.4m	†3.1m
Net per share	1.32	†0.59

† Loss

FOOTE CONE AND BELDING
Advertising

	1986 $	1985 $
Second quarter		
Revenue	82.2m	81.5m
Net profits	5.2m	6.0m
Net per share	1.24	1.44
Six months		
Revenue	158.1m	150.7m
Net profits	7.3m	6.9m
Net per share	1.74	1.67

HAMILTON OIL
Oil and gas

	1986 $	1985 $
Second quarter		
Revenue	57.4m	56.3m
Net profits	†1.1m	6.2m
Net per share	†0.07	0.22
Six months		
Revenue	160.9m	104.0m
Net profits	9.0m	10.9m
Net per share	0.31	0.39

NATIONAL CONVENIENCE STORES
Retailing

	1985-86 $	1984-85 $
Fourth quarter		
Revenue	204.1m	254.7m
Net profits	1.2m	4.8m
Net per share	0.06	0.22
Year		
Revenue	949.9m	927.5m
Net profits	3.6m	15.5m
Net per share	0.15	0.76

PACIFICORP
Utility holding company

	1986 $	1985 $
Second quarter		
Revenue	465.1m	452.6m
Net profits	51.9m	86.8m
Net per share	0.70	0.77
Six months		
Revenue	974.1m	959.0m
Net profits	115.3m	134.9m
Net per share	1.60	1.99

Hydro-Quebec launches $400m perpetual floater

BY CLARE PEARSON

HYDRO-QUEBEC, the Province of Quebec's electric utility and Canada's second largest company, launched a $400m perpetual floating rate Eurobond yesterday, led by Credit Suisse First Boston.

Hydro-Quebec has chosen to issue this type of bond because its duration more closely matches the long life of its assets than most term debt. It will repay $400m of US commercial paper with the proceeds.

Additionally, the structure has costing advantages since the debt will be accounted for at historic cost. Hydro-Quebec will not therefore be exposed to future Canadian/US dollar foreign exchange fluctuations on the instrument.

The issue will appear in Hydro-Quebec's balance sheet as senior debt. It is thus unlike perpetual floating rate notes issued by banks in Britain and some other countries, where perpetual floating rate notes rank as capital funds.

Hydro-Quebec's coupon was set at 1/16 point over six-month London interbank offered rate (Libor), the lowest level ever on an undated issue. Priced at par, its fees total 40 basis points. It is callable at par after five years.

The market responded enthusiastically to the deal and it was quoted at around 99.80 on the bid side.

Just two new dollar fixed-rate deals appeared yesterday, despite a firm tone in the market. Goldman Sachs issued a $100m seven-year 7⅝ per cent bond for Exportfinans, the Norwegian state entity. The deal was quoted at discounts to issue price within the level of its fees.

Meanwhile Morgan Guaranty launched a $75m issue for Champion International. The company is the world's largest white paper maker, rated triple-B by Standard and Poor's rating agency.

The five-year bond was priced at 101¼ with a coupon of 8¼ per cent to give an issue yield, net of fees, of 140 basis points over comparable US Treasury bonds.

In the D-Mark market, prices rose by about ⅛ to ¼ point. The market was influenced by rumours of a round of interest rates in the autumn.

One borrower, Finnish Real Estate Bank, took advantage of this firm tone. The bank is wholly owned by Skopbank, the central clearing bank of the Finnish savings bank system.

The DM 150m issue, with a six-year life, has a coupon of 6 per cent and price of par. It met a favourable reception, and traded at about 99¼ on the bid side, as compared with 2¼ per cent fees.

In Switzerland, Swiss Bank Corporation issued a Sfr 250m 15-year bond, with an indicated coupon of 5¼ per cent, for the World Bank. Meanwhile, a recent 5⅝ per cent 12-year bond for Inter-American Development Bank moved up by ¼ point.

Soditic launched the first issue for some time in the Swiss market with redemption in US dollars. Terms are to be fixed on August 21, but the Swiss franc coupon on the SFr 200m deal for GTE Finance is indicated at 6¼ per cent. At final maturity, each SFr 5,000 bond will be redeemed at $3,330, according to the indicated pricing. The issue has call and put features.

Fuji Bank yesterday reopened the market in floating rate certificates of deposit with a $150m five-year issue which met good demand, writes Alexander Nicoll.

The issue is in the name of the bank's London branch and was led by Fuji International Finance. It is non-callable, and is priced at par with interest set ⅛ percentage points below six-month London interbank offered rates.

Fuji's deal followed a lull of several weeks in floating rate CD issues after a flood in June, which included a $200m issue by Fuji Bank. The latest issue was trading at discounts to issue price within the original discount at which it was sold to co-managers.

DBS gains from lower tax charges

DEVELOPMENT BANK of Singapore (DBS), one of the island's big four commercial banks, benefited from sharply lower tax charges in the first half to June, and turned in a 4.8 per cent rise in group net profits to S$52.07m (US$24.18m), writes our Financial Staff.

Net earnings at the bank alone rose only 0.3 per cent to S$43.23m. But a bank official said this masked an expansion in treasury and investment banking activities which produced a jump of more than 2½ times in income from this sector, to S$61.71m from S$23.05m.

Pre-tax profits for the bank were down 19 per cent at S$49.66m and for the group at large 18.9 per cent lower at S$62.27m. This reflected the impact of a boost in loan loss provisions to S$55.91m from S$36.79m.

DBS has trimmed the interim dividend to 7 cents a share from 8 cents, despite a slight rise in earnings to 34 cents a share from 33 cents.

The DBS performance was markedly better than those of OCBC and UOB, two rivals which last week revealed respective earnings declines of 20.6 per cent and 17.2 per cent. Profitability of all three, however, is now roughly equal at just above the S$50m level.

FT INTERNATIONAL BOND SERVICE

Listed are the 200 latest international bonds for which there is an adequate secondary market.

Closing prices on August 12

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amoco Co. 9⅞ 16	200	103⅛	103⅝	+0⅞	+0⅞	9.40
Atlan. Richfield 10¼ 00	250	107¼	108¼	0	+1	9.20
Australia Com. 11 95	200	115	115½	+0¼	+0¼	8.46
Australia Com. 11¼ 00	100	114¼	115¼	+0¼	+0¼	9.27
BP Capital 9¼ 94	100	103⅝	104⅛	+0¼	+0⅛	8.48
BP Capital 11¼ 92	150	109½	110	+0¼	+0½	8.78
Campbell Soup 10½ 95	100	111½	112	0	+0½	8.58
Canada 9 96	1000	107¼	107¾	−0¼	+0¼	7.84
Canada 11½ 90	500	113	113½	+0¼	+0½	7.17
Canadian Pac. 10¼ 93	100	109	109½	+0¼	+0½	8.80
CEPME 10¼ 91	100	106⅛	106⅝	+0¼	+0½	7.96
Citicorp 10 88	200	105	105½	[illegible]	[illegible]	7.21

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amca. Ex. Os. Cr. 0 91 A$	100	52⅛	52⅝	+0⅝	+0⅞	14.81
Bremer Ldsbk. 12¼ 91 A$	30	96¼	96¾	+0¼	+0¼	13.76
Fiat Finance 14½ 89 A$	50	99⅛	100⅛	+0½	+0⅞	14.50
GMAC 12⅞ 89 A$	40	96¼	97½	+0⅛	+0¼	14.13
Landsbk. Rhein 13 89 A$	30	96¼	97½	+0½	+0¼	14.28
Canadian Pac. 10⅞ 90 C$	75	†99⅞	100⅞	+0⅛	+0⅞	10.59
Chrysler Corpn. 10 91 C$	75	†93⅞	93⅞	+0¼	+0⅝	11.11
Genstar Fin. 11¼ 95 C$	75	†107⅛	107⅝	0	+0¼	10.43
GMAC 9⅞ 92 C$	75	†94⅞	95½	+0⅝	+0⅞	10.46
Royal Trustco 10⅞ 90 C$	75	†99¼	99⅞	+0¼	+0⅝	10.49

INTL. COMPANIES & FINANCE

David Marsh on the French electronics group's drive for foreign sales

Souriau builds a global network

MR MARCEL LEROY, chairman of Souriau, the specialised French electronics group, is an old hand at the game of international collaboration.

His company, which makes sophisticated connectors forming the vital junctions in electronic and optical circuits, gets more than half its sales from outside France.

The company's main clients are in the aerospace, armaments and telecommunications sectors—areas where many French companies have grown up since the war on the back of aggressive government-sponsored programmes to boost France's high-technology prowess.

Yet alongside its role in prestigious national ventures—it equips the French-led Ariane space rocket as well as the latest Mirage 2000 fighter—Souriau has been careful to build up parallel activities in competing projects abroad.

Through its manufacturing subsidiaries in the US, West Germany, the UK and Italy, Souriau supplies equipment for the Anglo-German-Italian Tornado fighter-bomber as well as for the American F16 fighter-jet—aircraft which are competing with the Mirage on world military markets.

Alongside its part in equipping the European Airbus, Souriau also has a modest share in the connectors aboard the Boeing 757 and 767.

And Mr Leroy reckons that his company has a "good chance" to win orders for the European fighter aircraft planned for the 1990s by Britain, Germany, Italy and Spain—a project which France, after two years of lengthy negotiations, declined to join.

France is going ahead with its own project to develop the prototype Rafale fighter built by the Dassault-Breguet military aircraft maker, which has just made its first test flight.

"We need to be on world markets to be competitive," says Mr Leroy. "If we were just on the Rafale, it wouldn't be enough."

The intense pace of international competition—at a time when the company has been facing a slackening of domestic military and aerospace orders—leaves Souriau with no choice but to be present industrially on foreign markets.

"We have to get on well with everyone," says Mr Leroy, pointing out that even some of the company's parts for the Exocet anti-ship missile—which is used to equip the Royal Navy—are made by the company's subsidiary in the UK.

American competitors such as ITT Cannon, AMP, Allied Bendix and Deutsch—have facilities in all European countries to win shares in European programmes, Mr Leroy says. "They have the same problem as us."

Souriau's manufacturing subsidiary in Dusseldorf, at present undergoing extension, has turnover of FFr 200m ($29.9m), 35 to 40 per cent of which represents German-made equipment.

Souriau is shortly to boost local content in West German sales to 50 per cent. This is as part of a general bid to solidify its position in the Federal Republic, where national avionics and electronics companies are increasing efforts to boost their share of equipment orders for programmes like the Airbus.

Mr Marcel Leroy: "We have to get on well with everyone"

Pointing to the gradual fall in the French share of equipment orders on the Airbus programmes—from 60 per cent to the first A-300 wide body jets to between 30 and 40 per cent for the new narrow-body A-320—Mr Leroy says the Germans now have "the will and the capacity" to step up their aerospace efforts.

Symbolising its policy of foreign expansion, Souriau opened up a subsidiary in Japan a year ago. The Japanese market for connectors, including all the telecommunications and computer applications, is already the second in the world, says Mr Leroy, with Japan also making efforts to build up activities in the aerospace sector.

Souriau has also signed licensing deals with a number of Eastern bloc countries — including with Czechoslovakia in 1984 — and also with China last year. It also last year clinched a FFr 20m contract to supply the Soviet Union with civil aviation equipment.

About 26 per cent of Souriau's FFr 1.4bn of turnover last year was in the aerospace and missiles sector — about 60 per cent military programmes and 40 per cent civilian — with 18 per cent in land-based arms sales for tanks and military vehicles.

For this year Mr Leroy says slackening arms orders both in France and the US, as well as the reduced pace of Airbus production, are leaving a "hole" in activities. But he still hopes for an increase in profit from last year's consolidated net earnings of FFr 64m (up 5 per cent from 1984), on turnover likely to be up about 13 per cent.

A total of 46 per cent of Souriau's capital, listed on the Paris bourse's second marche, is now in the hands of the public and institutional investors following the placement in June of a 25 per cent equity package formerly held by one of the company's two family shareholding groups.

The Souriau family however keeps a 47 per cent controlling stake (with another 7 per cent owned by the Charles family). Mr Leroy says the company traditionally has been able to rely on cash-flow to finance development, but is not ruling out recourse to the bourse should it need funds for acquisitions in coming years.

Spiralling exports boost Korean companies

BY OUR FINANCIAL STAFF

HALF-YEAR results released by leading South Korean companies show strong earnings advances as the country's export boom gathers pace.

Cheil Synthetic Textiles increased earnings in the first half to June by 549.7 per cent from a year earlier, to 2bn Won ($2.26m). Sales rose by 13.5 per cent to 107bn Won.

A company official attributed the sharp increase in profits to sales of base film, which is used to produce video tapes.

Cheil began producing base film in May 1985, and sales of the product picked up early this year. About 95 per cent of the base film produced by the company is exported.

Dongbu Industrial boosted sales 90.8 per cent to 85.2bn Won, while earnings rose 101.3 per cent to 2.1bn Won.

Dongbu said it saw a sharp increase in exports of steel products and textiles, especially to Japan and the US.

Korea Explosives, the biggest explosives manufacturer in South Korea, lifted its profits by 31.4 per cent to 2.5bn Won, despite a slight dip in sales to 48.18bn Won compared with 48.2bn Won.

The company said that in the first half of 1985 it had suffered an extraordinary loss of 1.6bn Won because of a reassessment of invested assets.

Korea Iron and Steel Works, a major manufacturer of steel wire rope, increased profits by 134 per cent to 3.8bn Won, while sales rose 14.4 per cent to 40bn Won.

Exports of the high-margin products increased in the first half, and falling oil prices also helped the company reduce production costs.

Bophuthatswana casinos ahead

BY JIM JONES IN JOHANNESBURG

SUN INTERNATIONAL (SIB), the casino and resorts operator in the nominally independent South African "homeland," increased turnover by an inflation matching 17 per cent in its first year as a quoted company.

Turnover rose to 168.3m ($66.1m) in the year to June from R144.2m and pre-tax profits were R28.8m against R23.9m.

The company operates two casino complexes in Bophuthatswana and is building a third with the proceeds of last year's stock exchange listing.

Earnings per share rose to 28.9 cents from 26.7 cents and the dividend has been raised to 20 cents from 19 cents. SIB is controlled by Sun International and the Bophuthatswana Government is a major shareholder.

Underwriting loss at SA Eagle

BY OUR JOHANNESBURG CORRESPONDENT

SOUTH AFRICAN EAGLE, the short-term insurer who is controlled by Eagle Star Holdings of the UK and Anglo American Corporation, moved into the red on its underwriting account in the six months to June but believes it will stabilise the account by the end of the year.

The first half's gross premium income rose by a quarter to R153.6m ($60.3m) from R122.5m and the company suffered a first-half underwriting deficit of R5.4m against a small surplus of R137,000 in the first half of 1985.

Investment income increased, but not sufficiently to prevent the interim pre-tax profit dropping to R5.1m from R9.8m.

Net earnings dropped to 37.3 cents a share from 57.2 cents and the interim dividend has been maintained at 21 cents.

Unilever's rise continues into second quarter

Unilever, the Anglo-Dutch consumer products group, made pre-tax profits of £513m in the first half of 1986—well above market expectations and £80m up on last time.

The company's figures for the second quarter of the year were reported yesterday, showing that the good first three months carried through to the second. Profits rose 24 per cent to £295m, even after allowing for provisions in the restructured UK meat business, which could have taken as much as £20m. Analysts had forecast a maximum of £280m profit before tax.

The London listed shares—the stock is also quoted in the Netherlands—rose a ½ to £18 on the results, which followed a series of disappointing figures from several major UK companies.

Mr Michael Angus, the new chairman, said that results improved in most of the group's countries of operation, and he was increasingly confident about 1986 as a whole. He sounded a more cautious note, however, by adding that it was "unlikely that the rate of profit improvement in the first half will be maintained over the remaining two quarters."

Results could be affected by exchange rate movements, he said, especially when expressed in guilders. Mr Angus pointed out that at June end exchange rates the rate of increase in attributable profits was 26 per cent in sterling, 34 per cent in US dollars, but only 19 per cent in guilders.

Second quarter group sales slipped from £4.17bn to £4.09bn on comparable exchange rates, reducing total half year sales from £8.49bn to £7.86bn. Turnover in Europe was down on the half, from £5.55bn to £4.77bn, but rose in North America (from £1.39bn to £1.41bn) and in the rest of the world (from £1.56bn to £1.68bn).

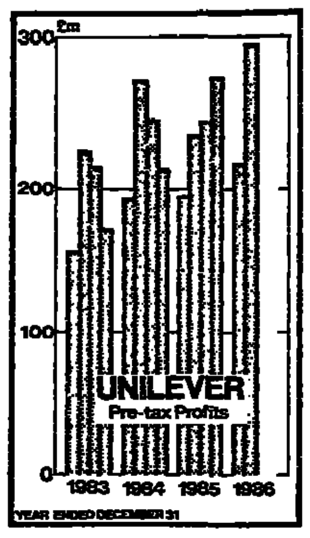
Second quarter operating profits rose by 24 per cent to £297m, lifting the interim total to £505m (£444m).

Europe was still the largest profit earner, making £293m against £269m in the half year. Mr Angus said that European operating profits were 11 per cent ahead in the second quarter. "There were gains in most product groups, with major contributions from ice cream and tea. Improved results in Germany were particularly encouraging."

Operating profits in North America rose by £24m to £28m, with all major businesses contributing to the increase. Lever Brothers again achieved substantial volume growth, and made several significant improvements in its market position, said the chairman.

In the rest of the world profits rose by 8 per cent to £184m. Mr Angus said that the consumer products businesses grew strongly in both sales and profits in nearly all areas. The second quarter took in a full contribution from the food businesses recently acquired in Brazil and Mexico. Results from the plantations businesses were depressed by lower tea and palm oil prices.

The total group turnover and profit figures for the first half of 1985 take in £288m and £17m respectively from Brooke Bond, acquired in 1984. This relates to Brooke Bond's figures for the last quarter of 1984, and the profit was after deduction of finance costs associated with the purchase.



Associates added more to the half year profit at £30m (£26m), but income from other fixed investments fell from £14m to £6m. Net interest charges fell from £51m to £28m.

After a midway tax charge of £219m (£188m) and minorities of £18m (£23m), attributable profits totalled £277m (£219m), or £273m on translation at end-June 1986 rates.

Combined earnings per share rose 26 per cent in the second quarter to 41.5p, lifting the half way figure by 25 per cent to 73.02p (58.47p).

See Lex

UKPI sells stake in GT Management

By Charles Batchelor

United Kingdom Provident Institution (UKPI), the troubled mutual life company, has sold its 6 per cent stake in GT Management, the fund management group which is attempting to rally support for Berry Trust against a hostile £86m takeover bid from Ensign Trust.

The sale of the 6 per cent GT stake—worth about £5.8m at the prevailing market price was made on Monday, the same day that UKPI disclosed it had sold its entire 28.9 per cent holding in Berry.

The GT share sale was not revealed until yesterday, however, when GT said it had taken place.

The disposal of the GT shares—by brokers Cazenove to a group of institutions—removes a further uncertainty over the fate of Berry and of GT.

UKPI, which ran into problems earlier this year with some of its unquoted investments, was known to be a likely seller of its Berry and GT stakes and the two companies were concerned they might fall into Ensign's hands.

As it is, if Ensign succeeds in winning control of Berry it would gain control of Berry's 11.7 per cent stake in GT.

The close links between Berry and GT date back to the launch of GT as a private fund management group in 1969. Berry backed the new company financially and held a 28 per cent stake until GT obtained a stock market listing last month, when its holding was reduced to 11.7 per cent.

Mr Mark St Giles, joint managing director of GT, said he was concerned at the build-up of influence by Ensign over the financial sector.

Ensign, formerly Murray Growth Trust, was acquired by the Merchant Navy Officers Pension fund last year though 20 per cent of its shares remain in the hands of minority shareholders.

"It is unusual for a pension fund — using money which benefits from tax privileges—to have such power," said Mr St Giles.

Ensign has large stakes in several large financial services groups.

Acquisition helps Firth expand profit to £2.5m

THE ENLARGED and diversified G. M. Firth (Holdings) group produced a turnover of £50m and a pre-tax profit of £2.48m in the year ended March 31 1986.

Earnings per 10p share reached 4.36p and the final dividend is 0.55p for a net total of 1p, against 0.4p.

The group operates as steel stockholders and merchants, property developers, furnishing and flooring contractors, and engineers to the food and drink industries.

The latter activities are carried on by Porter Chadburn, the results of which are included for the first time by virtue of the fact that Firth lifted its interest in that company to more than 50 per cent during the year. Porter accounted for £19.4m of turnover and £506,000 of profit.

Mr Ian Wasserman said the momentum of increased profitability at Porter had been slower than envisaged and the position had been exacerbated by the severe and sudden downturn in the oil market.

However, he remained confident that Porter could look forward to an expansive future and its profits would move forward.

In the current year the directors were budgeting for considerably higher group profits, he said. Those for the first quarter had been "extremely good" and barring unforeseen circumstances, he anticipated another year of substantial growth in profit and earnings.

Turnover and profit for 1985-1986 compared with £21m and £950,000 respectively for the previous year. After tax £893,000 (£316,000) and the Porter minority £154,000 (nil) the net profit came to £1.43m (£634,000).

There was an extraordinary debit of £106,000 (credit £109,000) being the cost related to the closure of the Bolton factory of Porter Lancastrian, less profits on sales of investment and fixed assets.

Porter is paying a final dividend of 1.3p for a net total of 2p for the year ended March 31 1986, compared with 1.05p for the previous 64 weeks.

● comment

G. M. Firth has never known profits in excess of £1m before but ex-Slater Walker aide Ian Wasserman has spent six years grafting niche businesses on to the steel core. Continuing activities contributed £1m to the rise this time with around £400,000 of this coming from stockholding and another £½m from sales of property and investments. The maiden contribution from the 65 per cent owned Porter Chadburn produced just over £½m (although the minority had to be paid out of this) and most of the extraordinary costs. Old Firth realised some £150,000 in cash from property disposals and a profit on its stake in Arlen. Mr Wasserman's aversion to issuing shares is well known so the £2m a year cash flow out of the expanded Firth sets its own limits on acquisitions. Last year £2.3m was spent on purchases and this year the figure looks likely to be much the same. With the tax charge coming down to the standard rate, £3.7m pre-tax would produce strong earnings growth. The shares at 74½p trade on a prospective multiple of 11 which still leaves some head room.

Samuelson warns on first half

Samuelson Group yesterday warned that the current half year would not match expectations due to problems in the UK film division and in Australia, where revenue has been hit by currency movements.

The warning hit Samuelson's shares, which fell 40p to 180p after the announcement.

However, Mr Sidney Samuelson, the chairman, addressing the annual meeting said that he considered the setback as short-term, adding that it had not dampened his confidence.

The UK film side, he said, had suffered from the downturn in feature film production which had lasted longer and been more severe than had originally been anticipated.

The depreciation of the Australian dollar had affected revenue in two ways, said Mr Samuelson. Firstly, on translation into sterling and US dollars, and secondly it had reduced the number of performers going to Australia.

Woodhouse beats oil setback

BY ALICE RAWSTHORN

Woodhouse & Rixson (Holdings), the Sheffield-based forgemaster, announced an 18 per cent increase in pre-tax profits to £628,000 against £532,00 for the half year to June 30 1986, despite suffering a downturn in activity from its oil-related business.

In the last few years Woodhouse has emerged as one of the recovery stocks of the engineering sector. It plunged into losses in 1983, but having disposed of its loss-making activities and cut costs in remaining divisions, it has returned to profit.

During the half year turnover rose by 5 per cent to £5.75m (£5.49m) while trading profits grew by 11 per cent to £635,000 (£573,000), there was a cut in the interest charge from £41,000 to £7,000 as the company eliminated borrowings in the course of the half year. Earnings per share increased to 3.9p (3.6p) and the interim dividend to 1.35p (1.0p).

The company made a compensation payment of £31,000 to Mr Christopher Cotton, its former company secretary, who resigned in May.

According to Mr Jock Sutherland, chairman, although oil-related activities suffered due to the downturn in the North Sea and US oil industries, the company gleaned growth from sales to the aerospace and nuclear engineering industries.

Woodhouse has expanded its range of forging work with the installation of a new 800-tonne forging press at its Niagara Works. Plans to enlarge the Bassemer Road premises have suffered a setback, however, because of a delay in obtaining planning permission.

● comment

Having withstood a downturn from a key area of activity Woodhouse & Rixson has proved that it has returned to a firmer footing. At its peak the oil industry accounted for 20 per cent of sales, in the first half it provided just 8 per cent, erasing an estimated £70,000 from pre-tax profits. Nonetheless aerospace and nuclear engineering have emerged as growth markets, offering more generous margins than energy, and the company has detected a slight improvement in demand from the oil sector in the second half. The City expects continued growth in profits to £1.4m for the full year, producing a prospective p/e of 8 on yesterday's share price which shed 1p to 69p. Having eradicated borrowings Woodhouse is now in a position to diversify again and has signalled its intention to find small targets in related areas, although it looks more like bid target than a bidder.

Asda superstore

ASDA Superstores has won planning consent for an 85,000 sq ft superstore on the northern outskirts of Brighton.

The superstore, scheduled to open by Christmas 1987, will have 44,250 sq ft selling area.

Davies & Metcalfe in the red

AFTER plunging into the red at the end of 1985 with losses of £286,472, Davies & Metcalfe, the Stockport-based mechanical and electrical engineer, incurred further losses of £232,998 in the six months to June 30 1986. In the corresponding period last year, the group reported pre-tax profits of £255,902.

The directors reported yesterday, that the group had entered profitability in April 1986 and that trend was expected to continue.

They said the development in, and extensions to, the group's product range had enabled it to take advantage of the strong growth in the international railway market. All divisions had good levels of orders on hand, and the total value of orders, at £14m was an all-time record and compared with a value of £7.6m at December 31 1985.

Moreover, there were encouraging prospects for new orders from both home and overseas.

As a measure of the directors' confidence in the future of the group, they proposed making an unchanged interim dividend payment of 0.63p—last year a total of 2.21p net was paid. There was a loss per share of 4.314p compared with earnings of 2.369p.

The pre-tax loss included a provision of £50,000 against an anticipated loss resulting from unfavourable exchange rates between the Australian dollar and sterling.

External sales and other income was down from £5.56m to £3.12m in the opening half. No tax was payable against £127,951 last time.

Meat Trade downturn

Meat Trade Suppliers suffered a decline in pre-tax profit from £285,000 to £273,000 in the 53 weeks ended April 5, 1986. Turnover fell to £7.41m (£8m).

Earnings per share fell from 7.69p to 7.09p. The final dividend is 3.55p for a net total of 5.3p, against 5.25p; this absorbed £139,000 (£138,000).

Tax for the period was £87,000 (£83,000) and included £6,400 to deferred account (£12,000 from same) and £94 for underprovision of earlier years (£26,000 released).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Blacks Leisure	nil	—	0.25	nil	0.25††
Capital & Counties int	3	Oct 1	2.2	—	4.5‖
Matthew Clark	5	Oct 10	4.5*	8	7*
Davies & Metclafe int	0.63	Oct 6	0.63	—	2.21
G. M. Firth	0.55	Oct 6	0.22	1	0.4
Meat Trade	3.55	—	3.5	5.3	5.25
Metal Bulletin int	‡1.65	Oct 10	1.5	—	4.25
Porter Chadburn	1.3	Oct 10	1.05¶	2	1.05¶
Restmor Group	3.75	Oct 10	3.25	4.5	4
Tech Comp Inds int	‡1.5	—	nil	—	nil
Unidare int	**3	—	2.5	—	10
Woodhouse Rixson int	1.35	Oct 9	1	—	2.5

Dividends shown in pence per share except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ For 15 months. ‖ For nine months. ** Irish currency. †† For 16-month period.

Bestwood boosted by acquisitions

Bestwood, the fast growing investment and property services group headed by Mr Tony Cole, yesterday announced a sharp rise in profits for the first half of 1986, and the company's shares responded with a 23p jump to 608p.

Profit before tax in the six months to June 30 came to £707,000, against a comparable £121,000. This is more than the £683,000 made in the last full year, and takes in the results from some of Bestwood's recent clutch of acquisitions.

The interim accounts do not include costs of the recent failed bid for Country Gentlemen's Association.

Turnover rose dramatically from £1.25m to £8.66m, with the main jump coming in the industrial division (up from £789,000 to £6.38m) expanded by the purchase of Foraky—now British Drilling and Freezing — last November. This made trading profits of £435,000 (£58,000).

The results includes a first time contribution from the property services companies bought last February, which added £1.36m to turnover, and £34,000 to profits. There was also a good performance from financial services, which made profits of £365,000 (£40,000) on turnover of £916,000 (£462,000).

After a tax charge of £276,000 (£50,000) earnings per share came to 8.2p, up from 2.6p. There is, as usual, no interim dividend.

UK COMPANY NEWS

Sears makes £3.3m agreed bid for Blacks

BY MARTIN DICKSON

Sears, Britain's biggest retailer in terms of outlets, yesterday announced an agreed £3.3m cash takeover bid for Blacks Leisure, the troubled camping equipment and leisure-wear shopping chain. At the same time Blacks unveiled a pre-tax loss of £1.6m in year to March 1986 compared with £4.8m last time.

Blacks said its financial position was so difficult that it believed it would not be able to continue trading if the Sears bid did not succeed and there was no other offer.

Sears already owns 186 camping and leisurewear outlets through Milletts Leisure Shops, bought this summer in an £11.8m agreed deal, and a separate Milletts chain acquired last year as part of its takeover of Foster Brothers. Blacks has 42 outlets trading under the group's name and four trading under the Greenfields name.

Mr Roland Denning, a Sears director, said Blacks would complement the Millets outlets, since it offered a more up-market range of merchandise. Sears was already planning to extend into this area with a new chain of shops, to be called Tracker, and Blacks would fit in well with this strategy.

For Blacks, the bid follows a dramatic slump in fortunes in the wake of the 1984 merger with Greenfields Leisure, when serious trading, administrative and cash flow problems emerged in the Greenfields division. All but four of the 66 Greenfields stores have since been disposed of.

However, the trading problems have continued. The company said yesterday that after net ordinary costs and provisions of £2.4m (£1.06m) in the year to March, its retained loss totalled £4.1m (£3.98m), on turnover of £9.2m (£22.5m).

Net assets at the year end showed a £0.6m deficiency and net bank borrowing totalled £2.8m.

Its cash flow problems meant that the internal financial targets set at the time of last September's £3.8m rights issue had not been met. Continuing trading losses and its inability to secure a variation in the terms of its overdraft facilities with its principal clearing banker had meant a "severe restriction on the group's ability to trade."

The offer which has received irrevocable acceptances covering 30.4 per cent of ordinary shares is 3.6p in cash for each ordinary share and 150p in cash for each preference share. Blacks' shares closed last night at 4p, down 3p on the day.

THF acts on Savoy nominees

BY CHARLES BATCHELOR

Trusthouse Forte, the hotels and catering chain which has been pursuing the Savoy Hotel group for the past six years, has begun a legal action aimed at uncovering the identity of some of Savoy's nominee shareholders.

Mr Donald Durban, deputy chief executive of THF, said the company had served a summons on Savoy to identify the nominees and discover the extent to which they might be acting in concert. Mr Martin Radcliffe, Savoy legal director, confirmed a summons had been served but declined to comment.

THF first asked for details of the nominees in advance of Savoy's annual meeting in May under Section 212 of the Companies Act, but Savoy refused to provide it.

THF originally launched a takeover bid for Savoy in 1981 but was rebuffed. It has built up a 69 per cent stake in the hotel group over the past few years but Savoy's split voting structure means THF has only 42.3 per cent of the votes. It is limited to buying only a further 2 per cent a year in the market.

This is the second time that the THF bid has involved legal action. In April 1981 THF applied to the High Court for an order convening special meetings of the two classes of Savoy shareholders in an attempt to get round the split voting structure. It was unsuccessful.

The latest round in the battle for control of the Savoy comes just three months after THF attempted to block a move by Savoy to obtain permission to issue £500,000 worth of new shares. THF said the new shares could reduce its voting stake by a third.

Martin Ford pays £1m for Barrie Menswear

By Philip Coggan

Martin Ford, the clothing retail chain which recently underwent a change of management, yesterday announced the purchase of retailer Barrie Menswear (London) for £1.1m. At the same time, the company revealed interim figures for the 26 weeks to June 1, 1986 which showed a pre-tax loss on ordinary activities of £1.14m.

Barrie Menswear made pre-tax profits of £107,000 in the year to March 31, 1986 selling clothes from 16 stores in London's West End and the South of England. After revaluing the properties, the net assets being acquired are worth over £1.4m. Consideration will be in the form of £846,000 in cash, and the issue of 433,571 shares at 70p each.

In June, Iridium Investments, a consortium of businessmen, bought 32 per cent of Ford's equity for £3.5m from the old family interests and acquired management control. It was widely believed that the consortium was attracted by Ford's property portfolio.

Yesterday, the company announced that it had exchanged contracts with Interland Estates, a wholly-owned subsidiary of the Heron Corporation, to sell 14 properties for £7.63m, with leaseback agreements on eight.

Ford's new trading strategy will be to revamp the existing shops with the aim of appealing to 16-30 year-old women. A new shop design and layout will be ready in November. Chairman Mr Ronald Aitken said yesterday that the board intends to open individual units in specific target areas and to acquire trading concerns when the opportunities present themselves.

The interim figures showed an operating loss of £1.14m on turnover of £3.01m. With a tax credit of £66,972, the after-tax loss was £1.08m. There were extraordinary costs of £312,122 relating to compensation payments, redundancies and the costs of the takeover.

No dividend will be paid and the loss per share was 6.89p.

The chairman stated that the losses were in excess of the indications received prior to the offer, and the board has begun an investigation to find out why.

The shares closed up 2p at 66p.

Whitecroft's final offer gets thumbs down from Eleco

BY TERRY POVEY

Eleco Holdings yesterday rejected a final offer from Whitecroft which values the Essex-based construction, property and electrical engineering company at £25.7m on the bidder's closing share price last night of 224p.

On behalf of the Cheshire-based Whitecroft, Mr Tony Rippon said that the raised offer—the initial bid valued Eleco at £25m—was generous and now backed by a cash alternative of 143.5p.

The terms of yesterday's final offer are seven new Whitecroft shares for every 10 of Eleco. On last night's closing price for the bidder the offer values Eleco at 156.8p a share which compares with a close of 146p, up 11p.

If successful the increased offer would allow accepting shareholders to retain the final dividend from Eleco which was announced as 3.1p. Whitecroft is forecasting a total dividend of not less than 10p on the expanded capital but has made no profit forecast.

Mini-conglomerate Whitecroft is claiming that a successful bid would enable Eleco shareholders to receive three dividend payments in the current year.

The bidder's dividend forecast makes the switch into Whitecroft worth 27 per cent more in payout terms than the target's forecast of 5.5p for the year to June 1987.

Eleco has also announced that pre-tax profits for the current year will show a "good increase" over last year's £2.7m.

Commenting on this offer, Mr Michael Webster, of Eleco, said that it "blatantly undervalued the company" and that the present management was better equipped to produce increases in earnings than Whitecroft's.

Mr Webster, a divisional managing director and the son of Eleco's chairman, accepted that the company's shares had underperformed in the past.

"But this was only because we concentrated on getting on with running our business and did not communicate with the City, something we now intend to put right," he said.

Both companies and their advisers — Warburg for Eleco and Schroders for Whitecroft—say that they have heard of no approaches by third parties and that no meetings have been held between the two sides to get an agreed merger.

The closing date for the final offer, barring any other bids, is set as August 29.

SW Farmer share deals suspended

By Philip Coggan

Share dealings in the SW Farmer Group were suspended yesterday at the company's request, pending an announcement about its future which will be made by the end of the week.

On Monday, the shares fell 15p to 24p, wiping nearly 40 per cent off the market capitalisation.

The engineering group had faced severe problems over the last two years with losses reaching £1.25m in 1985.

In January this year Mr John Briggs, an experienced "company doctor," joined the board and was appointed chairman in March. He replaced Mr Brian Farmer, part of the family interest which still retains 15 per cent of the group.

Further board changes followed and Mr Hugh Gibson was appointed chief executive in May.

The new management has already taken steps to rationalise the group and has liquidated one subsidiary, the engineering company Farmer Roper, which represented around 15 per cent of the group's turnover.

Speculation about a bid attempt surfaced in March, when an unquoted company, RCR International, built up a 26 per cent stake in the group. RCR is believed to have interests in aviation, car leasing and engineering. Directors of RCR were unavailable for comment yesterday.

Unilever Results

The Directors of Unilever announce the unaudited results for the second quarter and first half-year of 1986.

With regard to the activities and results during the first quarter they refer to the announcement of 12th May, 1986.

UNILEVER COMBINED RESULTS ON AN HISTORICAL COST BASIS (£ millions)

Second Quarter 1986	Second Quarter 1985	Increase/ (Decrease)		Half-Year 1986	Half-Year 1985	Increase/ (Decrease)
4,087	4,165	(2)%	TURNOVER	7,861	8,494	(7)%
297	240	24%	OPERATING PROFIT	505	444	14%
13	16		Share of associated companies' profit before taxation	30	26	
4	2		Other income from fixed investments	6	14	
37	26		Other interest receivable and similar income	72	50	
(56)	(47)		Interest payable and similar charges	(100)	(101)	
295	237	24%	PROFIT BEFORE TAXATION	513	433	18%
(127)	(96)		Taxation on profit of the year	(219)	(188)	
(1)	(3)		Taxation adjustments previous years	1	(3)	
(9)	(15)		Outside interests	(18)	(23)	
158	123	28%	Profit attributable to shareholders	277	219	26%
(3)			Difference on translation of 1986 results at end June 1986 rates of exchange	(4)		
155	123	26%	PROFIT ATTRIBUTABLE TO SHAREHOLDERS	273	219	25%
41.50p	32.87p	26%	Combined earnings per share – per 25p of ordinary capital	73.02p	58.47p	25%

COMMENT ON SECOND QUARTER RESULTS

At comparable rates of exchange, earnings per share were 28% up on the relatively weak equivalent quarter of last year. Results improved in most of the countries in which we operate and thus we are increasingly confident about 1986 as a whole. We still feel it unlikely that the rate of profit improvement achieved in the first half year will be maintained over the remaining two quarters.

Moreover, our results in future quarters could, at closing rates, be adversely affected by exchange rate movements, particularly when expressed in guilders.

Operating profit was up by 24%, because of a strong improvement in both underlying sales volume and margins. Lower selling prices, and the disposal of a number of businesses, accounted for the decline in sales value.

In Europe operating profit was 11% above the second quarter of 1985. There were gains in most product groups, with major contributions from ice cream and tea. Improved results in Germany were particularly encouraging. Our UK meat business is being restructured and provision for the costs of this was made in the quarter.

In North America all our major businesses contributed to the increase in profit. Lever Brothers again achieved substantial volume growth and made several significant improvements in their market position.

Outside Europe and North America our consumer products businesses grew strongly in both sales and profits in nearly all areas. The quarter includes a full contribution from the food businesses recently acquired in Brazil and Mexico. Results from our plantation business were depressed by lower tea and palm oil prices.

At end June exchange rates the increase in profit attributable is 26% in sterling, 19% in guilders and 34% in dollars.

SUPPLEMENTARY REGIONAL INFORMATION
(£ millions at end-1985 exchange rates)

Second Quarter 1986	Second Quarter 1985		Half-Year 1986	Half-Year 1985
		Turnover		
2,423	2,665	Europe	4,770	5,547
760	736	North America	1,412	1,391
904	764	Rest of the World	1,679	1,556
4,087	4,165	As reported	7,861	8,494
—	—	*Less* Brooke Bond fourth quarter 1984	—	288
4,087	4,165	Adjusted	7,861	8,206
		Operating Profit		
157	142	Europe	293	269
41	24	North America	28	4
99	74	Rest of the World	184	171
297	240	As reported	505	444
—	—	*Less* Brooke Bond fourth quarter 1984	—	17
297	240	Adjusted	505	427

NOTES

Exchange Rates

The results for the quarter and the half-year and the comparative figures for 1985 have been translated at comparable rates of exchange. These are based on £1=Fl. 4.00=U.S. $1.45, which were the closing rates of 1985. An exception has been made for the results which have arisen in hyper-inflationary economies, which for the current quarter and current half-year have been translated at forecast closing rates for 1986. The profit attributable to shareholders for the current quarter and current half-year has also been translated at the rates of exchange current at the end of June 1986 being based on £1=Fl. 3.79=U.S. $1.53.

Brooke Bond Group plc

The sales and operating profit of Brooke Bond for the fourth quarter 1984, were taken up in Unilever's results for the first quarter 1985. These amounted to £288 million and £17 million respectively; the operating profit was after deduction of the finance costs incurred in 1984 by reason of the acquisition.

Dates

The results of the third quarter and announcement of interim dividends for 1986 will be published on Tuesday, 11th November, 1986.

12th August, 1986

Unilever Quarterly Results are reprinted in leaflet form.
If you wish to be included in the mailing list for these leaflets please write to:
External Affairs Department, P.O. Box 68, Unilever House, London EC4P 4BQ.

Part of everyday life, in 75 countries.

NOTICE OF REDEMPTION

of

The Gillette Company

4¾% Convertible Debentures Due 1987

Convertible into Common Stock of The Gillette Company

Redemption Date: September 16, 1986

Conversion Right Expires: September 16, 1986

NOTICE IS HEREBY GIVEN to holders of the 4¾% Convertible Debentures Due 1987 (the "Debentures") of The Gillette Company (the "Company") convertible into common stock of the Company that, pursuant to the provisions of the indenture dated as of December 2, 1972 (the "Indenture") between the Company and Morgan Guaranty Trust Company of New York as Trustee, the Company has elected to redeem all the outstanding Debentures on September 16, 1986 (the "Redemption Date") at a redemption price of 100% of the principal amount thereof, together with accrued interest from December 1, 1985 to the Redemption Date in the amount of $37.60 for each $1,000 principal amount. Payment of the redemption price and accrued interest, which will aggregate $1,037.60 for each $1,000 principal amount of Debentures, will be made on or after the Redemption Date upon presentation and surrender of the Debentures together with all Coupons thereto appertaining maturing after the Redemption Date at the offices of any one of the Paying and Conversion Agents set forth below.

The Debentures will no longer be outstanding after the date fixed for redemption. The redemption price will become due and payable upon each Debenture on the Redemption Date and interest thereon shall cease to accrue on and after the Redemption Date.

Alternative to Redemption

Holders of Debentures have the right, on or before the close of business on September 16, 1986, to convert the Debentures into fully paid and nonassessable shares of common stock of the Company (the "Common Stock").

The Debentures may be converted at the principal amount or any portion thereof which is $1,000 or a multiple thereof into Common Stock at the rate of 30.05 shares for each $1,000 principal amount of Debentures. In order to exercise the conversion right, the holder of any Debenture(s) to be converted shall surrender such Debenture(s), together with all unmatured Coupons and any Coupons in default appertaining thereto, to any one of the Paying and Conversion Agents, accompanied by the CONVERSION NOTICE on the Debenture, or a similar notice, which has been completed and signed. A holder who surrenders a Debenture for conversion will receive a certificate or certificates for the full number of whole shares of Common Stock to which such holder is entitled. No fractional shares of Common Stock will be issued upon conversion of any Debenture, but in lieu thereof the Company will pay a cash adjustment in respect of such fraction in an amount equal to the same fraction of the closing price per share of the Common Stock on the New York Stock Exchange at the close of business of the day of conversion. Debenture(s), or portions thereof, shall be deemed to have been converted immediately prior to the close of business on the date on which such CONVERSION NOTICE or similar notice shall have been received by the Paying and Conversion Agents and such Debenture(s), or portions thereof, shall have been surrendered as aforesaid, and at such time the rights of the holder tendering such Debenture(s) as holder shall cease and the person or persons entitled to receive Common Stock issuable upon conversion shall be treated for all purposes as the record holder or holders of such Common Stock at such time.

In accordance with the terms of the Indenture, no payment or adjustment shall be made upon any conversion on account of any interest accrued on the Debenture surrendered or on account of any dividends on the Common Stock issued upon conversion.

The closing price of the Common Stock on August 6, 1986, as reported in the Composite Tape for New York Stock Exchange Listed Stock, was $43.50 per share (the "Closing Price"). At the Closing Price, the holder of $1,000 principal amount of Debentures would receive upon conversion shares of Common Stock and cash for the fractional interest having an aggregate value of $1,307.18. However, such value is subject to change depending on changes in the market value of the Common Stock.

The Debentures are presently convertible into Common Stock at a rate of $33.28 per share.

Delivery of Debentures to any one of the Paying and Conversion Agents after the close of business on September 16, 1986, regardless of instructions in any notice, will result in payment of the redemption price of 100% of the principal amount of the Debentures together with accrued interest to September 16, 1986.

Surrender of Debentures for payment at the office of any Paying and Conversion Agent outside of the United States will be made by check drawn on, or transfer to a United States dollar account with, a bank in the Borough of Manhattan, City and State of New York. Any payment made at the office of the Paying and Conversion Agent within the United States or by transfer to an account maintained by the payee with a bank in the United States may be subject to reporting to the United States Internal Revenue Service ("IRS") and to backup withholding at a rate of 20% if payees not recognized as exempt recipients fail to provide the Paying and Conversion Agent with an executed IRS Form W-8, certifying under penalties of perjury the payee is not a United States person, or an executed IRS Form W-9, certifying under penalties of perjury the payee's taxpayer identification number (employer identification number or social security number, as appropriate). Those holders who are required to provide their correct taxpayer identification number on IRS Form W-9 and who fail to do so may also be subject to a penalty of $50. Please therefore provide the appropriate certification when presenting your securities for payment.

PAYING AND CONVERSION AGENTS

Morgan Guaranty Trust Company
of New York
38 Stockerstrasse
Zurich, Switzerland

Morgan Guaranty Trust Company
of New York
P.O. Box 161
Morgan House, 1 Angel Court
London EC2R 7AE, England

Morgan Guaranty Trust Company
of New York
Mainzer Landstrasse 46
6000 Frankfurt/Main, West Germany

Morgan Guaranty Trust Company
of New York
14, Place Vendome
Paris, France

Banque Internationale a Luxembourg S.A.
2 Boulevard Royal
Boite Postale 2205
Luxembourg

Bank Mees & Hope N.V.
Herengracht 548
P.O. Box 293
Amsterdam, 1000
The Netherlands

Morgan Guaranty Trust Company
of New York
Rome Office
Via Abruzzi 2
00187 Rome, Italy

Morgan Guaranty Trust Company
of New York
Milan Office
Piazza del Carmine, 4, 20121
Milan, Italy

Morgan Guaranty Trust Company
of New York
New Yurakucho Building
12, 1-chome, Yuraku-cho, Chiyoda-ku
Tokyo, Japan

Morgan Guaranty Trust Company
of New York
Avenues des Arts 35
B-1040 Brussels
Belgium

THE GILLETTE COMPANY

Dated: August 13, 1986

UK COMPANY NEWS

All-round advance lifts Matthew Clark to £6.7m

GROWTH IN all business sectors enabled Matthew Clark and Sons (Holdings), the wine and spirit group, to lift its 1985-86 profits from £5.96m to £6.66m at the pre-tax level.

The dividend for the year is being stepped up from an adjusted 7p to 8p net, the final being 5p.

During the period virtually every brand showed increased sales—these include Martell, de Kuyper and Stone's Ginger Wine.

Mr Francis Clark, the chairman, said that in contrast to the previous year, when profits benefited from special factors amounting to some £500,000, 1985-86 had been a fairly normal trading period.

In the circumstances, the 12 per cent rise in profits now reported was described as satisfactory.

The current year is viewed with confidence. Mr Clark pointed out that since May trade had been broadly similar to that of last year for the established products, and that the new agencies had started well.

Early last month, a new division (Moreland Agencies) was created in order to enable the group to take on new brands and give added support to existing ones.

Moreland, which had been appointed distributor for Laing's whiskies, Benedictine and Underberg, had made a promising start, but was not expected to make a significant contribution to profits in the current year.

Mr Clark said, however, that Moreland's initial portfolio formed the basis for confidence in the company's future.

Group turnover for the past year (to April 30, 1986) rose from £53.35m to £60.82m, excluding Excise duty.

Tax took £2.71m (£2.6m) to leave net profits at £3.94m, compared with a previous £3.37m. Minorities accounted for £1.41m, against £1.25m.

The available balance for ordinary shareholders worked through £415,000 higher at £2.52m from which dividend payments will absorb £697,000 (£605,000). Retained profits emerged at £1.83m (£1.5m).

Earnings improved from 24.4p to 29.2p per 25p share.

• comment

Despite these good results, Matthew Clark is fairly cautious about the prospects for this year because of the uncertain impact of two factors—the launch of new products and the reorganisation of the sales force. In the former category, the liqueur Peach Tree has already taken root in the States and is a major hope for the UK. However, the West Coast coolers (a mixture of wine and fruit juices) have failed to take off, owing to the poor summer weather and the proliferation of competition. The division of the sales force is needed to promote the company's ever-widening range of drinks, with old favourites like Stone's ginger wine the base. The new division, Moreland Agencies, will have to prove it has the same pulling power with the trade as the Matthew Clark name. Matthew Clark has done well to improve results consistently in sluggishly growing markets but, with £3.8m cash, may be tempted to make an acquisition to boost growth this year. Its undistinguished record at managing its recent purchases represents the main element of caution about the shares which, at 505p and assuming pre-tax profits of £7.5m, are on a prospective multiple of 13.

TCI expands further and raises profits

Technical Component Industries, a Derbyshire-based manufacturer of special nuts, bolts, studbolts and other non-standard fasteners, has made its second acquisition since joining the USM in December 1985.

Yesterday, along with the announcement that interim profits had risen by 22 per cent to £173,000 pre-tax, the directors said they had conditionally agreed to purchase the TKR Group, a private designer and manufacturer of components for the aerospace industry.

Initial consideration will be £1.6m. This will be met by the placing of new ordinary share at 315p on behalf of the vendors amounting to £794,675 and by the issue to the vendors of 255,658 new shares.

Further amounts up to a maximum £750,000 are payable if certain profit levels are achieved.

The group is proposing to rise £1.2m in order to fund the first additional payment of £150,000, to discharge certain indebtedness of the TKR over the next 12 months. Some 380,952 new ordinary shares have been conditionally placed to raise money.

For the year to February 28 1986 TKR recorded turnover of £2.7m and pre-tax profits of £203,000.

The purchase follows the group's strategy of expansion into specialist markets via acquisition.

Last month it completed the acquisition of Ancon Stainless Steel Fixings, a company with a proven track record and, according to the directors, considerable potential for further growth.

For the six months ended June 1986 Technical Component's raised its turnover from £596,000 to £807,000. Earnings amounted to 5p (3.77p) per 25p share and an interim dividend of 1.5p net is being paid, an increase of 20 per cent on the level indicated in the placing document.

Howden buying Wade Engineering

Howden Group is buying privately-owned Wade Engineering for an initial cash and shares payment of just over £1m. If Howden sells any Wade properties, a further consideration of up to £0.5m in Howden shares may be payable.

Wade's products — which Howden says complement its own—are used in aerospace, military vehicle and general industrial applications.

The unaudited balance sheet of Wade at April 30 showed net asset value of £1.45m. This did not reflect the estimated price receivable for properties which may be sold.

Spurs stake raised

Mr Isadore Brown, the New Jersey businessman who has shown an interest in the shares of Tottenham Hotspur, the only English football club with a Stock Exchange listing, has lifted his stake to 13.67 per cent of the equity.

The purchase of a further 100,000 shares, announced yesterday, gives Mr Brown 1.26m shares. He has in the past expressed a wish for a seat on the Spurs board. Mr Paul Bobroff, Spurs chairman, said that he had no recent contact with Mr Brown, "except for a letter a couple of weeks ago asking for an autographed football." Spurs shares were unchanged at 69p.

IN BRIEF

DOWTY GROUP has acquired the remaining 50 per cent of Hydrostatic Transmissions for £125,000 cash and the issue of 514,706 shares. HTL designs and makes low speed high torque hydraulic motors. Dowty acquired its earlier stake in 1983.

FALCON INDUSTRIES has sold its subsidiary, Kestrel Fasteners. This will eventually reduce group borrowings by £360,000.

300 potential buyers eye troubled Lifecare

BY RICHARD TOMKINS

THE RECEIVERS of Lifecare International, the nursing homes group whose shares were suspended at the beginning of this month, say they have been inundated with inquiries from potential purchasers and are confident of selling off the business either as a whole or in parts.

Lifecare owns and operates eight nursing homes for the elderly and owns four sheltered housing developments. Its shares were suspended at 22p on August 1 when it called in accountants Peat Marwick Mitchell to take charge of its affairs.

The nursing homes had been operating profitably but its sheltered housing developments were a heavy drain on resources, and delays in letting the units caused the group to run out of cash.

Nursing homes and sheltered housing for the elderly are widely perceived as growth markets because of the ageing demographic profile of Britain's population.

Peat Marwick's joint receiver, Mr Roger Oldfield, said he thought this was a factor behind the interest in the company.

"We have had well over 300 inquiries from potentially interested parties and we are in the process of inviting them in an orderly a fashion as possible to visit the nursing homes so that they would not be buying blind," he said.

Restmor lower at £1.6m

Restmor Group, Surrey-based maker of baby carriages and nursery furniture, reported lower pre-tax profits and turnover for 1985/6. However, the market marked the shares up 6p to close at 98p.

Pre-tax profits for the year to May 2 1986 came out lower at £1.55m, against £1.63m. The tax charge, though, was much reduced at £326,000 (£708,000) to leave earnings per share ahead at 11.89p (8.93p).

The directors are proposing an increased final payment of 3.75p (3.25p) to make a total dividend for the year of 4.5p against 4p.

Turnover fell from £15.46m to £14.83m.

GOLD FIELDS GROUP

VOGELSTRUISBULT METAL HOLDINGS LTD.

(Incorporated in the Republic of South Africa)
(Registration No. 05/04346/06)

INTERIM REPORT

CONSOLIDATED INCOME STATEMENT	*Six months ended 30 June 1986	*Six months ended 30 June 1985	Year ended 31 Dec. 1985
	R000	R000	R000
REVENUE			
Income from investments	2,874	2,500	8,012
Sundry	899	849	1,962
	3,773	3,349	9,974
EXPENDITURE			
Administration and general	162	157	319
PROFIT BEFORE TAX	3,611	3,192	9,655
Tax	363	391	26
PROFIT AFTER TAX	3,248	2,801	9,629
* Unaudited			
Earnings per share—cents	18	15	52
Dividends—per share—cents	10	10	30
—absorbing—R000	1,839	1,839	5,518
—times covered	1.8	1.5	1.7

CONSOLIDATED BALANCE SHEET	*At 30 June 1986	*At 30 June 1985	At 31 Dec. 1985
	R000	R000	R000
Investments	24,804	24,102	24,851
Loans advanced	280	904	474
Net current assets	6,043	1,564	4,393
Current assets	8,282	4,352	8,168
Less current liabilities	2,239	2,788	3,775
	31,127	26,570	29,718
Share Capital	9,448	9,448	9,448
Reserves	21,679	17,122	20,270
*Unaudited	31,127	26,570	29,718
INVESTMENTS			
Listed—market value	49,324	55,899	65,798
—excess over book value	32,388	39,855	48,862
—book value	16,936	16,044	16,936
Unlisted—book value	7,868	8,058	7,915
Number of shares in issue	18,393,600	18,393,600	18,393,600
Net assets (as valued) per share—cents	525	437	578

NOTES:

1. Dividend—The final dividend No. 78 of 20 cents per share in respect of the year ended 31 December 1985, absorbing R3,678,720 was declared on 15 January 1986 and paid on 5 March 1986.
2. Prospects

   Notwithstanding pressure on profit margins in the export coal trade and the drop in the tin price to uneconomic levels, earnings for the year should not be significantly lower than those for 1985. The dividend should therefore be maintained.

DECLARATION OF INTERIM DIVIDEND

Dividend No. 79 of 10 cents per share has been declared in South African currency, payable to members registered at the close of business on 29 August 1986.

Warrants will be posted on or about 30 September 1986.

Standard conditions relating to the payment of dividends are obtainable from the share transfer offices and the London Office of the company.

Requests for payment of the dividend in South African currency by members on the United Kingdom register must be received by the company on or before 29 August 1986 in accordance with the abovementioned conditions.

The register of members will be closed from 30 August to 5 September 1986, inclusive.

Registered and Head Office:
Gold Fields Building
75 Fox Street
Johannesburg 2001

On behalf of the Board
B. R. van Rooyen, Chairman
M. R. Fuller-Good
Directors

London Office:
31 Charles II Street
St James's Square
London SW1Y 4AG
12 August 1986

United Kingdom Registrars
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

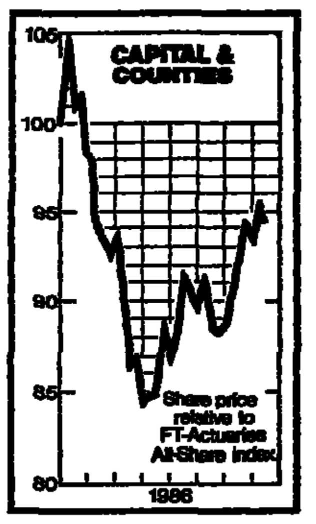
UK COMPANY NEWS

Increased profit seen by Capital & Counties

PROFITS attributable to the **Capital & Counties** property investment and development group in the half year ended June 30 1986 came to £3.87m, against £3.7m for the six months *to September 29 1985.*

Earnings were 5p (4.9p) net, and the interim dividend is lifted from 2.2p to 3p per share.

The directors forecast that profit for the full year would show an improvement over the annualised figure attained in the previous nine months — actual profit for the period was £5.22m.



In the half year operating income from property investment was *£7.91m (£7.3m)* and from property trading £594,000 (£1.39m). The associated company contributed £318,000 (£97,000).

Cost of the ordinary dividend came to £2.3m (£1.69m). Capital and Counties' ultimate holding company is the LibLife Controlling Corporation of South Africa.

Metal Bulletin profit up 60%

Metal Bulletin returned to profits growth in the first half of 1986 with an increase of 60 per cent in the taxable result from £312,000 to £497,900. The directors said that the trading pattern was similar to that in its record year of 1984 when pre-tax interim profits were £499,200.

However, they added that they *did* not expect the full-year resul to reach the £1.21m of that year.

The shares, traded on the USM, rose 8p on the announcement but fell later to close unchanged at 105p.

Turnover rose by £381,000 to £3.18m for this publisher of international trade journals and directories and conference organiser. Earnings per 10p share came out at 3.61p (2.09p) and the interim dividend is being raised from 1.5p to 1.65p. *Last* year there was a total payment of 4.25p on pre-tax profits of £1.08m.

The tax charge was £180,500 (£128,70) to leave net profits at £317,400 against £183,300 last time.

Benlox stake

Chessminster Group, a Canadian company, has increased its stake in **Benlox Holdings**, an industrial holding company headed by Mr Michael Buckley, from just under 15 per cent to 18 per cent.

Chessminster announced it had bought a further 600,000 Benlox shares. On August 5 it said it had bought a 14.76 per cent holding.

YORK MOUNT GROUP reports an acceptance level received following the recent rights issue of 98.14 per cent.

Rush & Tompkins to raise £8m by preference rights

BY RICHARD TOMKINS

RUSH & TOMPKINS, the international property and construction group, has followed last weeks' disappointing results with proposals for a rights issue aimed at *raising £8.1m net of* expenses to strengthen its balance sheet.

Instead of offering ordinary shares the company will issue 8.5m new 7.5 per cent convertible cumulative redeemable preference shares of £1 each at par on the basis of two for every three ordinary shares held.

The Govett Strategic Investment Trust, a substantial shareholder, has undertaken to take up its rights to 17 per cent of the shares, and the rest of the issue will be underwritten by Barclays de Zoete Wedd. Brokers to the issue will be Phillips & Drew.

Last week Rush & Tompkins reported pre-tax profits of £3.7m for the 15 months to last March against £3m for the year to December 1984. It blamed *historically unprofitable* contracts in the construction division for what it described as a disappointing result.

However the contracts had now been completed and it added that plans for improving the division's profitability were in hand.

Yesterday Rush & Tompkins *said that the greatest potential for* growth in earnings and assets per share lay in increased activity in property development. However, the company was constrained by its high level of borrowings, which at £44m were 100 per cent of *shareholders' funds.*

Mr Nigel Dunnett, financial director, said the rights issue was one of a number of steps the company was taking to cut borrowings and strengthen the balance sheets. The company was negotiating a number of new developments

The preference shares will be convertible between 1989 and 2005 on the basis pf 40.8 ordinary shares for every £100 nominal of preference. This represents an effective conversion price of 245p a share.

*Full conversion of the pre*ference shares would result in the issue of 3.5m ordinaries, representing 21 per cent of the enlarged equity.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Commercial Union, Foreign and Colonial Investment Trust, General Accident Fire and Life Assurance, Philips Lamps, Trencherwood.

Final: J. Saville Gordon.

FUTURE DATES

Interims—

Allds	Aug 28
Babcock International	Sept 4
Cambridge Electronic Industs.	Aug 28
Counter Products Marketing	Aug 22
Ericsson (L. M.)	Aug 28
Federated Housing	Aug 28
Microvitec	Aug 20
Palma	Aug 27
Task Force	Aug 19
Tricentrol	Aug 15
Waterford Glass	Aug 20

Finals—

Armstrong Equipment	Sept 17
Beales (John)	Aug 14
Blagden Industries	Aug 18
Gold Fields of South Africa	Aug 19
New Darien Oil Trust	Sept 9
Trent	Aug 20
Wassall (J. W.)	Aug 18

Unidare advances 33% in first half

WITH SOME 65 per cent of its products being sold abroad, the Dublin-based **Unidare** group lifted its pre-tax profit by 33 per cent from I£1.14m to I£1.52m for the first half of *1986, equal to around £1.37m* sterling.

The second half began satisfactorily, the directors reported, and they expected the somewhat improved results to be maintained, with the distribution of sales remaining *similar.*

Unidare makes electrical cables and transformers. The large percentage of sales abroad reflected the depth of the continuing recession in Ireland and the ready acceptability of the products abroad.

Both the *building* trade and agriculture industry — important home markets — were still sluggish with little evidence of recovery, the directors pointed out.

Sales for the half year increased 9 per cent to £28m. After tax £517,000 (£355,000) the net profit worked through at £998,000 (£789,000). This gave earnings of 9.03p (5.53p) and the interim dividend is raised from 2.3 to 3p per share.

In March there were major changes in the shareholding of *the company*, resulting in 66 per cent of the capital being placed with institutional investors at 175p each.

The shares were released by Philips Electrical (Ireland) and Alcan Aluminium.

F. H. Lloyd

F. H. Lloyd Holdings' chairman told the annual meeting that at the end of the first quarter of the current year, profits were ahead of the comparable quarter of last year. He added: "I continue to expect further growth."

This announcement appears as a matter of record only.

Standard Life

The Standard Life Assurance Company

£210,000,000

Dual Currency Loan Facility

Mandated Bank and Lead Manager

Citicorp Investment Bank Limited

Lead Managers

Samuel Montagu & Co. Limited (UK Sponsor Bank)
Algemene Bank Nederland N.V., London Office • Credit Suisse
The Dai-Ichi Kangyo Bank, Limited • Deutsche Bank Aktiengesellschaft London Branch
The Fuji Bank, Limited • The Mitsubishi Bank, Limited
The Tokai Bank, Limited • Westdeutsche Landesbank Girozentrale

Managers

Banque Nationale de Paris p.l.c. • Banque Paribas (London) • Gulf International Bank B.S.C.
The Mitsui Bank, Limited • The Nippon Credit Bank, Ltd.

Co-Managers

Banque Internationale a Luxembourg • Credit Lyonnais

Provided by

Algemene Bank Nederland N.V., London Office • Citibank, N.A. • Credit Suisse
The Dai-Ichi Kangyo Bank, Limited • Deutsche Bank Aktiengesellschaft London Branch • The Fuji Bank, Limited
The Mitsubishi Bank, Limited • Samuel Montagu & Co. Limited • The Tokai Bank, Limited
Westdeutsche Landesbank Girozentrale • Banque Nationale de Paris p.l.c. • Banque Paribas (London)
Gulf International Bank B.S.C. • The Mitsui Bank, Limited • The Nippon Credit Bank, Ltd.
Banque Internationale a Luxembourg • Credit Lyonnais

Advisor to Borrower

Bank of Scotland

Agent

Citicorp Investment Bank Limited

March 7, 1986

CITICORP INVESTMENT BANK

This announcement appears as a matter of record only.

LANDSVIRKJUN

(The National Power Company, Iceland)

U.S. $100,000,000

Loan Facility

Arranger

Citicorp Investment Bank Limited

Managers

Christiania Bank og Kreditkasse • The Dai-Ichi Kangyo Bank, Limited • The Fuji Bank, Limited
Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft
The Industrial Bank of Japan, Limited • The Mitsubishi Bank, Limited
The Mitsubishi Trust and Banking Corporation • The Sumitomo Bank, Limited
The Sumitomo Trust & Banking Co., Ltd. • The Taiyo Kobe Bank, Limited
Yamaichi International (Nederland) N.V.

Co-Managers

Algemene Bank Nederland N.V. • Associated Japanese Bank (International) Limited
Kansallis Banking Group • Mitsui Trust Bank (Europe) S.A. • PKbanken • The Tokai Bank, Limited

Participants

Banque Internationale a Luxembourg S.A. • Kuwaiti-French Bank
Morgan Guaranty Trust Company of New York

Agent

Citicorp Investment Bank Limited

June 30, 1986

CITICORP INVESTMENT BANK

This announcement appears as a matter of record only.

enel

Ente Nazionale per l'Energia Elettrica

U.S. $400,000,000

Multiple Facility

Guaranteed by

The Republic of Italy

Arranged by

Citicorp Investment Bank Limited

Lead Managers

Banca Commerciale Italiana • Banca Nazionale dell'Agricoltura • Banco di Napoli • Banco di Sicilia
Banque Indosuez • CIBC Limited • Citicorp Investment Bank Limited • Credit Lyonnais • Credit Suisse
The Dai-Ichi Kangyo Bank, Limited • Deutsche Bank Compagnie Financière Luxembourg • The Fuji Bank, Limited
The Industrial Bank of Japan, Limited • Industrial Multinational Investments Limited
Istituto Bancario San Paolo di Torino • The Mitsui Bank, Limited • The Sumitomo Bank, Limited
The Sumitomo Trust & Banking Co., Ltd.

Co-Lead Managers

Amsterdam-Rotterdam Bank N.V. • The Bank of Yokohama, Ltd.
The Kyowa Bank, Ltd. • The Mitsui Trust and Banking Co. Ltd.

Managers

Banco di Santo Spirito • Banque Nationale de Paris • Credito Italiano • SanPaolo—Lariano Bank S.A. • Société Générale

Provided by

Amsterdam-Rotterdam Bank N.V., Paris Branch • BACOB s.c. • Banca Commerciale Italiana, London Branch • Banca Nazionale dell'Agricoltura
Banco di Napoli • Banco di Santo Spirito London Branch Licensed Deposit Taker • Banco di Sicilia, London Branch • The Bank of Yokohama, Ltd.
Bankers Trust Company • B.S.F.E. Banque de la Société Financière Européenne • Banque Indosuez • Banque Nationale de Paris
Canadian Imperial Bank of Commerce (International) S.A. • Citibank (Channel Islands) Limited • Credit Lyonnais • Credit Suisse
Credito Italiano, London Branch • The Dai-Ichi Kangyo Bank, Limited • Deutsche Bank Compagnie Financière Luxembourg • The Fuji Bank, Limited • Generale Bank S.A./N.V.
The Industrial Bank of Japan, Limited • Industrial Multinational Investments Limited • Istituto Bancario San Paolo di Torino, London Branch
The Kyowa Bank, Ltd. • The Mitsui Bank, Limited • The Mitsui Trust and Banking Co. Ltd. • The Nikko (Luxembourg) S.A.
Nomura Europe N.V. • SanPaolo-Lariano Bank S.A. • Société Générale • The Sumitomo Bank, Limited
The Sumitomo Trust & Banking Co., Ltd.

Tender Panel Members

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Fuji International Finance Limited • Generale Bank S.A./N.V. • Goldman Sachs International Corp. • IBJ International Limited
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Discounting Agent
Seccombe Marshall & Campion

Agent and Tender Panel Agent
Citicorp Investment Bank Limited

April 11, 1986

This announcement appears as a matter of record only.

IRI

Istituto per la Ricostruzione Industriale

U.S. $600,000,000

Multicurrency Revolving Loan Facility

Arranger

Citicorp Investment Bank Limited

Lead Managers

Banca Nazionale del Lavoro • Banco di Napoli International S.A.
Banco di Roma • Bank of Tokyo International Limited Capital Markets Group • Banque Nationale de Paris
Canadian Imperial Bank of Commerce (International) S.A. • Credit Agricole
Credito Italiano • The Dai-Ichi Kangyo Bank, Limited • Deutsche Bank Compagnie Financière Luxembourg
The First National Bank of Boston • The Fuji Bank, Limited
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The Kyowa Bank, Ltd. • The Mitsubishi Bank, Limited • The Mitsui Bank, Limited
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The Mitsui Trust and Banking Co. Ltd.

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Loan Granted by

Banco di Roma, London Branch

In Association with

Banco di Napoli International S.A. Luxembourg • Banca Nazionale del Lavoro London Branch • The Bank of Tokyo, Ltd.
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Credit Agricole • Credito Italiano London Branch • The Dai-Ichi Kangyo Bank, Limited
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BACOB s.c. • Caisse d'Epargne de l'Etat du Grand-Duche de Luxembourg Banque de l'Etat • The Daiwa Bank, Limited
Nomura Europe N.V. • The Saitama Bank, Ltd. • Societe Generale Alsacienne de Banque Succursale de Luxembourg • Ippa Bank

Agent

Citicorp Investment Bank Limited

May 8, 1986

CITICORP INVESTMENT BANK

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or -	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
¶100	F.P.	2/9	99	97	Newcastle & Gate. Wtr. 7% Red. Prf. 94/6	97	......
‖	Nil	—	5pm	5pm	Rea Bros. Group 8.6% Cum. Cnv. Prf.	5pm	......
‖	Nil	—	4pm	1pm	Scantronic 5.75% Cnv. Cum. Red. Prf.	2½pm	......
‖	Nil	—	3pm	2pm	Stewart Ent. 6¼% Cum. Cnv. Red. Prf.	2pm	......
‖	Nil	—	5pm	¼pm	Utd Leasing 9½% Cnv. Sub Uns Ln '98–2001	¼pm	......
‖ ‖	F.P.	—	101¼	101	VSEL Cons.11% Uns. Ln. 1996	101	......
—	F.P.	—	110p	107p	Wight C'ns Cv. Cm. Rd. Prf. 1999 10p	110p	+1

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1986 High	1986 Low	Stock	Closing Price p	+ or -
12	Nil	19/9	1¼pm	¼pm	Barker & Dobson 1p	¼pm	......
39	Nil	—	2pm	1½pm	Blackwood Hodge	1½pm	......
5	Nil	—	38pm	28pm	‡Cityvision 5p	28pm	-10
5	Nil	12/9	25½pm	12pm	‡Hobson 5p	23pm	+1½
330	Nil	26/9	81pm	58pm	London United 20p	63pm	+2
120	F.P.	19/9	143	130	Medminster 10p	130	-13
21½	Nil	—	2½pm	2½pm	Rock	2½pm	......
35	Nil	12/9	30pm	20pm	‡Rockwood 10p	20pm	......
350	Nil	—	38pm	15pm	Rowntree Mackintosh 50p	35pm	-3
200	Nil	—	23pm	19pm	TVS N/Vtg. 10p	21pm	......
125	F.P.	26/9	143	136	‡Tod 5p	140	-3
390	Nil	—	105pm	105pm	WPP Group 10p	105pm	......

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures t Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. § Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‡‡ Introduction. ** Issued by way of capitalisation. [illegible]

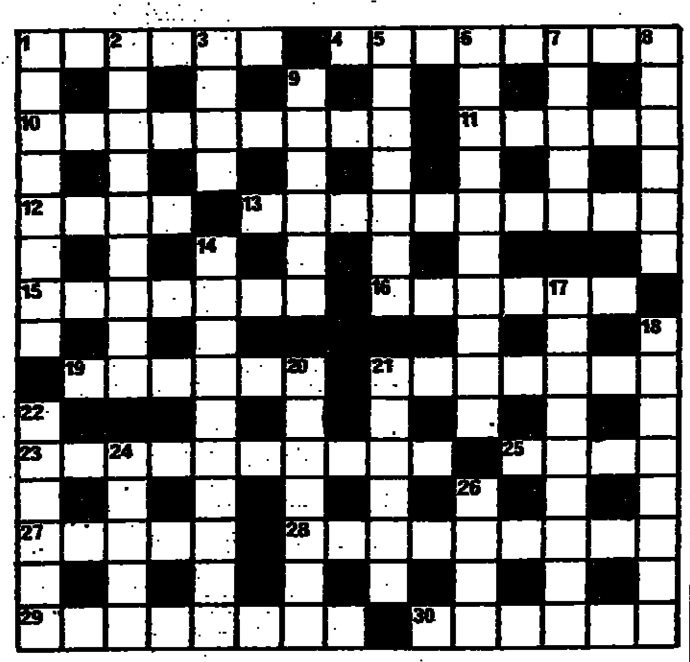
AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

[illegible]

F.T. CROSSWORD PUZZLE No. 6,098

QUARK



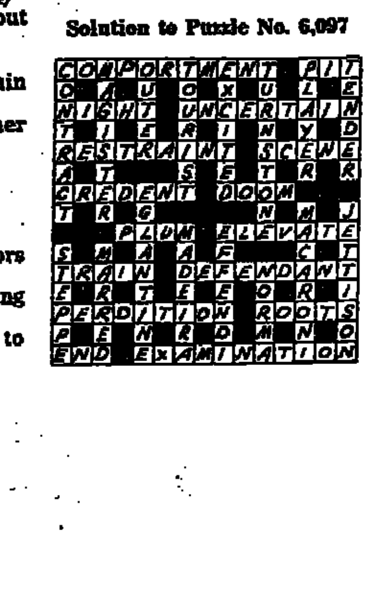
ACROSS

1 Its unconventional for Friar and Dean to be seen together (6)
4 Simply places apart (8)
10 The doctor is one concerned with life and death (9)
11 Feel frail, broken (5)
12 Not long ago the first two left money (4)
13 Like a plane? Not decided (2, 2, 3, 3)
15 Clergyman associated with slips (7)
16 Energy provider and what it can do as an extra (6)
19 A girl there's different (6)
21 Cold sheet (3, 4)
23 Stick-y confection? (10)
25 He's in a big orchestra (4)
27 Repeat broadcast about Race (5)
28 Mourning suit (9)
29 To seek out recruit is main pursuit (8)
30 Tot, in the main, goes other way, yet entertains (6)

DOWN

1 Planning for English actors (8)
2 Frank ensuing O.U. training (9)
3 The point in running is to win (4)
5 Conditions part of orchestra (7)
6 Border, for example, could be half tender (10)
7 Rita rearranged a head covering (5)
8 Dramatic J-P? (6)
9 Decent fit (6)
14 Gradually seen on ruler? (4, 2, 4)
17 Very exact pi (9)
18 She races round hunts (8)
20 Car at home arrives at destination? (5, 2)
21 Batting party for cricket, perhaps (6)
22 Mark of warmth? (6)
24 The girl's almost typical (5)
26 Rubbish is cumulative within (4)

Solution to Puzzle No. 6,097



AUTHORISED UNIT TRUSTS & INSURANCES

Waverley Asset Management Ltd (a) (c) (g)
13 Charlotte Sq, Edinburgh 031-225 1551

Australasian Gold	18.2	19.4	-0.1	0.15
Pacific Basin	13.5	14.4	....	0.2
Canadian Balncd Grwth	56.7	60.6	-0.9	0.98
Ginnie Mae	102.2	106.4	+0.3	7.2

WestAvon Unit Trust Managers Ltd(a)(c)
9 Portland Square, Bristol BS2 8SS 0272 428431

British Smllr Co's (z)	54.6	56.2xd	....	1.50
British Growth (z)	64.9	66.7	+0.7	2.00
British Income (z)	63.6	65.4	+0.2	5.00
British Extra Yield(z)	50.5	51.9xd	....	7.00

Whittingdale Unit Trust Managers
2 Honey Lane, London EC2V 8BT 01-606 9085/6

Short Dtd Gilt Fd	67.6	68.7	....	0.00
U.S. Govmnt Bond F	0.508	0.511	+0.001	—

Windsor Trust Mngrs Ltd
83 Kingsway, London, WC2B 6SD 01-405 8331

Cowrtd & Equity Tst	47.1	50.2	+0.2	7.90
Growth Trust	49.3	52.5	+0.5	2.31
Income Trust	87.9	93.3	+0.8	8.30

Wright Seligman Fund Managers Ltd
11 Blomfield St, London EC2M 7AY 01-588 0592

Growth Fund	67.1	70.6	.....	2.97

Weekly dealing day Tuesday

The Yorkshire General Trust
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250

Y.G.T.	120.7	128.5	+0.3	3.53

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
PO Box 93 Cardiff CF1 4NW 0222 35542

AA Friendly 5y Aug 8	103.1	....	—

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

Prop. Ser. 1	206.4	217.3	+0.1	—
Equity Ser 1	98.4	103.6	+2.3	—
Prop Acc. Ser 2	277.8	292.5	+0.1	—
Equity Ser 2	107.0	112.7	+2.5	—
Selective Acc.	233.5	245.8	+2.9	—
Prop. Ser. 4	219.3	230.9	+0.1	—
Equity Ser 4	110.7	116.6	+2.3	—
Fixed Int. Ser. 4	189.3	199.3	[illegible]	—

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1665

Ivory & Sime Bond	95.0	101.0		—
Risk & Reward Bond	115.0	122.0		—
Murray Johnstone Fd	117.0	124.0	+1.0	—
Money Market Fd	100.0	106.0	...	—
Ivory & Sime Pens Fd	96.0	102.0	...	—
Risk & Reward Pens Fd	97.0	103.0	...	—
Murray J'stone Pens Fd	114.0	120.0	...	—
Money Market Pens Fd	100.0	106.0	...	—

City of Westminster Assurance
Sentry House, 500 Avebury Boulevard, Cent Milton Keynes MK9 2LA Tel: 0908 606101/660888

Current Series

Property Fund	111.2	117.1	...	—
Money Fund	220.6	232.3	...	—
Managed Fund	402.3	423.5	+2.1	—
Equity Fund	245.8	258.8	+0.1	—
Fixed Interest Fund	149.7	157.6	+0.2	—
Far East Fund	207.4	218.4	-0.6	—
North American Fund	176.4	185.7	+6.3	—
Natural Resources Fund	126.0	132.7	+2.0	—
Pension Managed Fund	372.3	391.9	+1.6	—
Pension Equity Fund	229.6	241.7	-3.7	—
Adventurous Mngd Fd	102.8	108.3	+0.1	—
Balanced Mngd Fd	101.7	107.1	.....	—
Conservative Mngd Fd	101.7	107.1	.....	—
European Fund	100.1	105.4	...	—
International Fund	105.5	111.1	+1.1	—

For other prices please telephone 0908 606101/660888

Clerical Medical/Fidelity International
Narrow Plain, Bristol BS2 0JH 0272 290566

Investment Funds

Mixed	131.1	138.1	+0.2	—
Equity	146.3	154.0	+0.7	—
Property	108.3	114.1	....	—
Gilt & Fixed Interest	116.4	122.6	-0.2	—
Indexed Securities	100.8	106.2	+0.3	—
Cash	107.0	112.7	..	—
North American	107.6	113.3	+0.2	—
Far East	131.2	138.2	+1.1	—
International	123.7	130.3	+0.2	—
Special Situations	143.3	150.9	+1.1	—
International Income	135.9	143.1	+0.8	—
American Income	114.6	120.6	..	—
European	144.4	152.1	+0.1	—

Flexible Retirement Plan

Mixed	135.3	142.5	+1.2	—
Equity	141.4	148.9	+2.0	—
Property	112.6	118.6	..	—
Gilt & Fixed Interest	122.1	128.6	+0.2	—
Indexed Linked	104.4	109.9	+0.3	—
Cash	114.7	120.8	..	—
North American	112.2	118.2	+0.8	—
Far East	148.1	155.9	+1.6	—
International	131.8	138.8	+1.0	—

Equitable Life Ass Soc—Contd
Pension Funds

Far Eastern	167.0	175.8	+0.4	—
Fd. of Inv Tsts.	124.2	130.7	+1.1	—
Gilt & Fixed Int.	121.5	127.9	+0.2	—
High Income	163.0	171.6	+1.9	—
International Growth	101.8	107.2	+1.0	—
Managed	135.0	142.1	+1.0	—
Money	113.8	119.8		—
North American	119.7	126.0	+0.4	—
Pelican	143.0	150.5	+1.8	—
Property	105.3	110.8		—
Special Sit.	152.2	160.2	+1.2	—

Equity & Law
Amersham Road, High Wycombe 0494 33377

INSURANCE, OVERSEAS & MONEY FUNDS

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

Money Market Trust Funds

The Charities Deposit Fund
2 Fore Street, London EC2Y 5AQ [illegible]

The Money Market Trust
63 Queen Victoria St, EC4N 4ST [illegible]

Oppenheimer Money Management Ltd
66 Cannon St, EC4N 6AE. 01-236 1425

Call Fnd	9.51	7.11	10.26	6-Mth
7-day Fund	9.56	7.15	10.24	6-Mth
Dollar	5.31	—	—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Cur Acc	9.25	6.80	9.63	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	9.25	6.91	9.99	Qtr
Mth. Int. Chq.	9.25	6.91	10.04	Mth
Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-253 9111				
High Int. Cheque Acc.	10.125	7.57	11.04	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc.	9.30	6.95	10.11	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int. Cheque	9.50	7.00	10.12	Qtr
Benchmark Trust Ltd 9 Henrietta Place, W1M 9AG. 01-631 3313				
Cap Chq Deposit Acc	10.00	7.47	10.88	Mth
Charterhouse Bank Limited 1 Paternoster Row, EC4M 7DH. 01-248 4000				
Sterling	9.625	7.19	10.47	Mth
U.S. Dollar	5.87	4.39	6.31	Mth
German Marks	4.0	2.99	4.27	Mth
Swiss francs	1.50	1.12	1.59	Mth
Japanese Yen	4.50	3.36	4.81	Mth
Citibank Savings St Martins Hse, Hammersmith Grove 01-741 4941				
Money Market Plus	£5,000+	7.50	10.93	Mth
For other rates please 'phone our Rateline 01-846 9768				
Co-operative Bank Cheque & Save [illegible]				
Dartington & Co. Ltd [illegible]				
Henderson/Bank of Scotland [illegible]				
Legal & General (Money Mngrs) Ltd 355 Euston Road, NW1 3AG 01-388 3211				
High Int Dep Acc.	9.70	7.25	10.39	6-mth
Lloyds Bank PLC 71 Lombard St, London EC3P 3BS 01-626 1500				
HighIntCheque Account.	9.00	7.20	10.43	Qtr
Lombard North Central PLC 17 Bruton St, W1A 3DH 01-409 3434				
14-Day Notice	9.00	6.72	9.46	—
M & G/Kleinwort Benson M & G Hse., Victoria Rd., Chelmsford 0245 266266				
R.I.C.A. (£2,500+)	9.31	6.96	10.13	Daily
Midland Bank plc PO Box 2, Sheffield. 0742 20999 Ext 8655				
High Int Chq Acc	9.03	6.75	9.75	Qtr
£10,000 +	9.36	7.05	10.13	Qtr
M.I.M. Britannia Ltd 74-78 Finsbury Pavement, EC2A 1JD 01-588 2777				
Cater Allen	9.50	7.10	10.3338	—
NatWest Special Reserve Account 41 Lothbury, London, EC2P 2BP 01-256 9933				
£2,000 to £9,999	9.25	6.875	9.94	Qtr
£10,000 and above	9.375	7.00	10.12	Qtr
Oppenheimer Money Mgmnt Ltd 66 Cannon St, EC4N 6AE 01-236 1425				
Money Mngt. Acct.	9.25	—	—	3-Mth
Phillips & Drew Trust Ltd 120 Moorgate, London EC2M 6XP 01-628 9771				
High Int Chq Acc	9.50	7.10	10.27	Qtr
Provincial Trust 30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
High Int Chq Acc	10.25	7.66	11.17	Mth
Royal Bank of Scotland plc 42 St Andrew Sq, Edinburgh EH2 2YE. 031-557 0201				
Premium Account	9.50	7.10	10.27	Qtr
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB. 0708 66966				
H.I.B.A.	9.10	6.80	9.91	Daily
Tyndall & Co 29-33 Princess Victoria St, Bristol 0272 732241				
Demand Acc	9.53	7.13	10.31	Qtr
Money Acc	9.36	7.00	10.12	Qtr
J. Henry Schroder Wagg & Co Ltd Enterprise House, Portsmouth 0705 827733				
Special Acc	9.125	6.85	9.92	Mth
Over £10,000	9.375	7.01	10.20	Mth
Western Trust & Savings Limited The Moneycentre, Plymouth PL 1SE 0752 224141				
High Int Chq Acc	10.00	7.47	10.81	Qtr
Wimbledon & South West Finance Co Ltd 114 Newgate St, London EC1A 7AE. 01-606 9485				
High Int Cheque Acc	11.00	8.23		Qtr.

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ø Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◊ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	30
Amstrad	23
BAT	35
BOC Grp	28
BSR	11
BTR	28
Babcock	17
Barclays	45
Beecham	48
Blue Circle	55
Boots	22
Bowaters	30
Brit Aerospace	45
Brit. Telecom	17
Burton Ord	28
Cadburys	17
Charter Cons	22
Comm Union	28
Courtaulds	26
FNFC	17
Gen Accident	75
Gen Electric	17
Glaxo	85
Grand Met	34
GUS 'A'	85
Guardian	75
GKN	32
Hanson Tst.	16
Hawker Sidd.	48
NEI	11
Nat West Bk	48
P & O Dfd	45
Plessey	18
Polly Peck	16
Racal Elect.	16
RHM	20
Rank Org Ord	45
Reed Intnl	75
STC	16
Sears	12
TI	42
Tesco	32
Thorn EMI	40
Trust Houses	15
Turner Newall	18
Unilever	128
Vickers	40
Wellcome	17
Property	
Brit Land	16
Land Secs	30
MEPC	32
Peachey	24
Samuel Props	25
Oils	
Brit. Oil & Min.	$2\frac{1}{2}$
Brit Petroleum	48
[illegible]	

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Uncertainty about stock levels keeps oil traders guessing

BY CHRIS CRAGG

WHATEVER THE long-term effects of the production cuts agreed by the Organisation of Petroleum Exporting Countries (Opec) last week, the oil market has a much more immediate problem to deal with.

Before they decided to reduce their output in September and October, Opec member states were pumping oil for all they were worth. Much of that oil is on the high seas bound for Europe and the US, and will be added to an already large stockpile in the consuming countries. The trouble is that nobody knows just how large the existing stocks are—a fact which is causing a great deal of nervousness in the market.

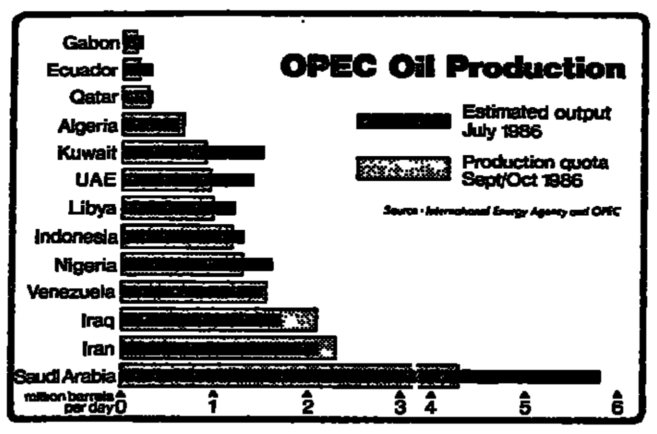
The maximum speed of most veyr large crude carriers (VLCCs) is 12 knots, at which speed it takes the vessels about five weeks to travel between the Arabian Gulf and, say, Rotterdam. That means that oil now being delivered into primary stocks—the tanks of the major refiners—was produced at the end of June or in early July.

According to Petroleum Argus, the oil market newsletter, Saudi Arabia—the biggest producer by far—turned out an average of 4.8m barrels a day (b/d) at a steadily rising daily rate in June. Its rate of production continued to rise in July, reaching 5.9m b/d towards the end of the month.

That trend was mirrored throughout Opec, partly to build up the members' positions prior to the Geneva meeting. July output for the Organisation as a whole was estimated by the International Energy Agency at 21m b/d, the highest level since 1982.

A clue to the present location of much of this oil is provided by the tanker market, which is in a more buoyant state than it has been for a decade. A year ago, VLCCs were losing some owners $1,000 for each day at sea. Now the same vessels are making $30,000 per day. Even if Saudi Arabia wished to continue producing at its July rate, it would probably have difficulty finding spot chartered tankers to load.

Most of the July production has yet to arrive at the refineries, and it is this that is causing the nervousness.



According to one broad-brush estimate, the world's tanker fleet may be carrying the equivalent of 500,000 b/d more production this year than last—and this additional quantity may be steaming towards a market where consumer stores are already full.

Oil stocks are traditionally divided into three sections, in ascending order of statistical obscurity: primary stocks (as defined above), secondary stocks (oil products in the distribution system) and tertiary stocks (those in the hands of consumers).

A working estimate of primary stocks is provided by the IEA's consumption figures, which include ex-refinery deliveries, international marine bunkers and refinery fuel consumption.

But that does not include the crucial category of oil at sea, nor does it take in secondary or tertiary stocks.

The IEA admits that there is a problem. "I do not think you will find anybody with a really good handle on secondary and tertiary stocks or oil at sea," says Mr Hugh Hilliard, a statistician with the Paris-based agency. "Some oil companies track tankers, but there are just too many consumers."

The first evidence is that refinery runs in Western Europe and the US have been substantially higher in recent months than at the same time last year, at 75 per cent and 80 per cent of capacity. Saudi Arabia's "netback" crude pricing systems linked the price of crude to the price of oil products. Consequently refiners could produce as much product as they wished, knowing that any fall in product prices would be translated into a fall in raw material costs.

The fall in product prices has been dramatic. In the UK according to the National Industrial Fuel Efficiency Service, heavy fuel oil prices to the typical consumer have fallen by 63 per cent in the past 12 months. Prices in thermal equivalent terms are now substantially lower than coal.

Gasoil, hitherto regarded as an expensive fuel, has fallen by 23 per cent in the past three months. In thermal equivalent terms it is now substantially cheaper than natural gas.

Nobody doubts that this has increased demand; but the key question is how far that demand reflects actual consumption and how much is going into tertiary stocks. The Danish power utility Elsam is a case in point. It has ceased to purchase spot traded coal and bought between 300,000 tonnes and 400,000 tonnes of heavy fuel oil. In more normal circumstances this purchase would be enough fuel to last well into 1987.

In West Germany, where residential customers saw a bargain, tertiary stocks of light heating oil are believed to be full. And, according to Petroleum Argus, independent storage capacity in the Amsterdam, Rotterdam, Antwerp area is already 90 per cent full to 100 per cent committed.

The only oil product currently in short supply is premium grade gasoline; a shortage caused by a lack of correct additives. While this has helped oil companies respond to Opec's production cuts with higher pump prices, it can be seen as further confirmation of high tertiary stocks. A shortage of additives implies a high level of gasoline production over the last six months.

The uncertainty over the size of the tertiary stock inevitably means that oil product prices are likely to remain highly volatile. If consumers have bought substantial quantities forward then the weakness in prices will continue, regardless of Opec's actions.

Equally if product prices continue to firm as a result of the Geneva meeting, then there is a danger that the end consumers will respond simply by running down those stocks. And just as the oil now arriving in Rotterdam was produced in June, so it follows that the physical impact of Opec's cut in production in September will arrive in October.

NY-Sydney exchange link approved

By Nancy Dunne in Washington

THE US Commodity Futures Trading Commission (CFTC) yesterday gave approval to the second international futures trading link-up, moving the industry a step closer to its long awaited 24 hour trading day.

The Commission yesterday voted to allow linked trading between the Commodity Exchange (Comex) of New York and the Sydney Futures Exchange (SFE). Initially, the tie-up will involve the trading of two identical gold bullion futures contracts on each exchange, stretching the length of the trading day for gold from 5.5 hours to 11.5 hours.

The gold contracts—the same as that now traded on Comex—can be acquired or liquidated interchangeably on either the Comex or the SFE. Both exchanges will clear their trades through the Comex Clearing Association (CCA).

Under the new system, the trading day will begin in Australia at 7 pm New York time and will continue to the end of the trading at 1 am New York time. Eight hours later Comex will resume trading and continue until 2.30 pm.

At the insistence of the CFTC, the link involves an extensive information sharing arrangement that would be used for, among other things, the market and trade practice surveillance and the disciplinary programmes at the two exchanges.

Rules have been drawn up to provide financial protections for risks the commission sees as inherent in linked trading systems. For example, futures commission merchants which are members of the CCA and are not US citizens must have a minimum adjusted net capital of US$2.5m, of which at least $1m must be at all times maintained in the US. As an alternative to keeping the $1m in the US, a letter of credit drawn in favour of the CCA can be deposited with an approved US bank.

In the case of market emergencies or defaults, Comex has the right, after consultations with SFE, to declare a market emergency and to prescribe the actions to be taken by each exchange.

The CFTC yesterday also approved the application of the New York Cotton Exchange to trade options on its US dollar index futures contract.

● The only full-fledged futures link in existence so far is that between the Chicago Mercantile Exchange and the Singapore International Monetary Exchange (Simex). Volume on Simex, though disappointingly low, has been aided by the link.

The SFE has similar but separate plans for a trading link with the London International Financial Futures Exchange (Liffe) on US Treasury bond and Eurodollar deposit futures.

Gold flurry sets pulses racing in New York futures market

BY TERRY DODSWORTH IN NEW YORK

BY EARLY afternoon, the burgundy-coloured carpet in the expansive trading floor which houses the main futures markets in New York is covered in a sea of abandoned paper.

Someone is sitting idly on the high bench encircling the cocoa ring, chatting lazily to a by-stander. Not much is going on in the tiny orange-juice pit either. But over on the far side of the floor it is difficult to distinguish anything in a melée of baying, gesticulating traders.

This bedlam is by no means an unusual sight in that segment of the floor these days. On one side is the New York Mercantile Exchange's (Nymex) oil ring, re-energised by the Opec production cuts. On the other is the Commodity Exchange's (Comex) gold trading pit, given a new lease of life by the events in South Africa. And in between are Nymex's platinum and palladium pitches, where trading is surging ahead alongside gold to hit record six-year levels.

"Sure it is tiring. You need to be a young man for this game," says Mr Howard Wolfson, a 37-year-old broker from T. & S. Commodities. Mr George Gero, from Prudential-Bache Securities, concurs. "Trading is very physical," he says. "Half of the people here are half my age." He is 50.

It is hard to see exactly what is going on in the rugby scrummage around the platinum pit—and it is even more difficult to distinguish what is being said. Trades are made by the open-outcry system, putting a premium on the ability to attract the attention of other people in the ring.

Traders periodically throw their hands violently forward, as though they were palming up volley balls. Others make gestures that would be regarded as extremely vulgar in a schoolboy. The volume of verbal exchanges occasionally rises to ear-splitting proportions. Mr Wolfson, jacketless and tie askew at the end of the session, has the husky voice of a man whose work consists of out-bellowing his confreres from time to time.

The current activity in platinum futures is unquestionably linked to the fears of shortages of the metal caused by the present unrest in South Africa. But it is also a sign of the times—part of the explosion in futures trading in the US in the last few years, and another indication of the globalisation of world markets.

Historically, the platinum business has been dominated by the physical markets in Europe. But for the New York traders the pressure on futures prices and the strong volumes of the last few days are evidence of the growing demand for hedging mechanisms

The furious price run up on Monday, when Nymex platinum contracts jumped by $25 an ounce—the upper limit set for a price rise on one day—is cited in New York as an indication of the way foreigners have begun to use the market. The price surge, some dealers believe, came largely in response to overseas demand from holders of the physical metal who wanted to cover their positions.

No one in New York is taking bets on how long the present flurry of hyper-activity will last. But already this year, volume in the platinum contract — at 730,000 (50 oz contracts) to the end of July—is running at well over twice last year's rate, and yesterday, as profit-taking set in, the action was just as intense as in the previous two near-record sessions.

Indeed, the ability of the market to respond to the demands of the last few days is seen as a sign of its growing maturity.

Liquidity has increased as the number of active participants has grown, doubling in the past four years or so to around 100 today, of which around 30 per cent are "locals," trading on their own accounts and providing the speculative element which is regarded as the key to a smoothly operating futures market.

Yesterday, the locals were hard at work outshouting the rest. It would be impossible to say from the extraordinary range of clothing and styles who was making money and who was not. Anything goes, from earrings to Hawaiian shirts and gardening trousers. But some of them, presumably, have made a great deal of money over the past few days.

MidAm's struggling copper contract

BY DAVID OWEN IN CHICAGO

LESS THAN two months after its launch on June 19, the MidAmerica Commodity Exchange's revised high grade copper futures contract is struggling badly.

By the end of July, aggregate volume had reached only 1,387 contracts, 786 of them on the first day of trading. July volume totalled a paltry 265 contracts, with end-month open interest standing at just 88—the vast majority, according to exchange sources, for the relatively nearby September delivery month.

A combination of unfavourable market conditions, competition from the traditional copper exchanges, and lack of trade support are being blamed for the contract's poor showing.

MidAm officials are stressing the first of these. "The timing was just very poor," according to Mr Jay Gottlieb, an advisory economist at the Chicago-based exchange, which was taken over earlier this year by the much larger Chicago Board of Trade. "We opened at the end of a rally," Mr Gottlieb explained. "We are still happy with the contract specification," he insisted.

But, while the current bear trend in the market at large may certainly be blamed for the apparent dearth of speculative interest, many observers still question the need for the MidAm to be trading copper at all. Competition for business is intense, with both the troubled London Metal Exchange and New York's Comex offering established alternatives.

The MidAm had hoped to exploit a perceived window of opportunity by confining delivery to high-grade cathodes and modelling aspects of the contract specification on the LME's Grade A contract in a bid to attract arbitrage business. Now, with Comex intent on raising the premium for metal quality on its own contract (to attract more high-grade metal) commencing January, time is running out for the Chicago Exchange to establish a satisfactory market toehold.

Trade interests, some of whom backed the contract enthusiastically during the authorisation process, maintain that poor to non-existent liquidity has severely hampered their attempts to use the market. "We have investigated trading the contract on several occasions," said Toronto-based Noranda, "but we have found a line of sellers and few buyers."

Phelps Dodge, the largest US copper producer and arguably the staunchest trade advocate of a US high-grade contract, has seen its efforts to utilise the MidAm newcomer similarly frustrated. "We have used it to a limited extent," said Mr Douglas Yearley, a New York-based senior vice-president, "but we have found it very difficult to fill orders."

The company denies that its initial enthusiasm for the MidAm contract diminished in the light of Comex's pending application to launch its own high-grade contract at some future date. "There is still no guarantee that Comex will follow through with that," said Mr Yearley.

Nevertheless, with trade all but grinding to a halt recently, there seems little prospect of Phelps Dodge or anybody else stepping into bolster the MidAm contract by writing it into any pricing formulae, which is exactly what is needed, according to Mr Ben Bowdon of copper wire producer, Essex Group, if the contract is to stand a realistic chance of recovery from its present low ebb. "We haven't given up on it yet," insists Phelps Dodge's Mr Yearley. But there appear to be many who have.

LONDON MARKETS

COFFEE prices sustained a heavy setback in the London futures market yesterday with the November position ending the day £85 down at £1,797.50 a tonne — wiping out most of the gain of the preceding two trading days. Dealers attributed the fall, which was sparked off by an overnight downturn in New York, to technical selling in reaction to that rally. Further sharp falls in early New York trading yesterday depressed London values further near the close. Some buying interest was noted on London's physical coffee market but this did not result in much actual business and so had no noticeable restraining effect on the future price slide. On the London Metal Exchange base metal values were generally modestly lower in sympathy with gold. An exception was aluminium which recovered £5 of Monday's £10 fall in the cash position.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

COPPER

LEAD

NICKEL

TIN

ZINC

GOLD

SILVER

MEAT

INDICES

REUTERS

DOW JONES

MAIN PRICE CHANGES

COCOA

COFFEE

SOYABEAN MEAL

GRAINS

JUTE

POTATOES

US MARKETS

SUGAR FUTURES lost ground without fundamental news behind the decline, reports Heinold. Talk of sell-stops below 6.50c, basis October, fanned the selling, which was met by trade scale-down buying. The October delivery was down 0.27c to close at 6.34c. Coffee lost 10c per lb in the nearby free-ranging months to fill the gaps between 1.64c and 1.66c in the spot September. Light stalled the decline but values to get there. You often have to remind their downward course as commission house sell-stops were triggered at under 1.63c, basis September, also inviting some computer fund liquidations. Precious metals traded sharply lower at midsession following profit-taking after the steep gains on Monday. Platinum however recovered some ground towards the close. Soyabeans turned lower following aggressive commission house selling on continued bearish weather forecasts.

NEW YORK

CHICAGO

RUBBER

SUGAR

OIL

FREIGHT FUTURES

GAS OIL FUTURES

Sarawak pepper exports fall

THE EAST Malaysian state of Sarawak's pepper exports fell to 260 tonnes in March from 403 in February and 2,774 in March 1985, the Pepper Marketing Board said, reports Reuter from Kuala Lumpur.

The steep decline was attributed partly to the low level of stocks at both farm and trade levels.

January/March exports totalled 1,759 tonnes, down sharply from 6,546 in the same period last year.

Singapore took 158 tonnes in March, Yugoslavia 39, Japan 25, South Korea 20, West Germany 10 and peninsular Malaysia eight.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar firmer in quiet trading

THE DOLLAR finished towards the best level of the day on persistent short covering. This was partly due to renewed speculation that the West German Bundesbank might cut its discount rate and also hopes of higher oil prices. However, US economic statistics due for release this week may provide further evidence of an economic slowdown, thus putting further pressure on the dollar.

Any apparent conflict that these factors may create could be partly solved if a recent meeting between Mr Paul Volcker, chairman of the US Federal Reserve board and Mr Karl Otto Poehl, president of the West German Bundesbank brings about a cut in leading interest rates in the US, Germany and Japan. Attention is now focused on tomorrow's meeting of the Bundesbank central council where a cut in rates could be announced.

Against this background, the dollar was marked firmer in early trading and was content thereafter to trade within a fairly narrow range. It closed at DM 2.0775 from DM 2.0605 and Y154.70 compared with Y153.75. Elsewhere it rose to SFr 1.6790 from SFr 1.6560 and FFr 6.7525 from FFr 6.69. On Bank of England figures, the dollar's exchange rate index rose from 110.6 to 111.1.

£ IN NEW YORK

Aug 12	Latest	Prev. close
Spot	$1.4845-1.4855	$1.4870-1.4880
1 month	0.47-0.45 pm	0.47-0.46 pm
3 months	1.25-1.24 pm	1.25-1.23 pm
12 months	4.55-4.45 pm	4.57-4.50 pm

Forward premiums and discounts apply to the US dollar

STERLING — Trading range against the dollar in 1986 is 1.5555 to 1.3770. July average 1.5069. Exchange rate index 71.4 after an opening of 71.6 and Monday's close of 71.1. The six-months-ago figure was 74.9.

Sterling was firmer overall, helped by firmer oil prices and pledges by various Opec members to restrict production. However, its recovery was limited since dealers viewed the economic outlook as relatively bearish. The pound was little changed against a stronger dollar at $1.4845 from $1.4865 but rose against the D-mark to DM 3.0850 from DM 3.0625 and Y229.50 from Y228.50 Against the Swiss franc it improved to SFr 2.4925 from SFr 2.4625 and FFr 10.0250 compared with FFr 9.9450.

D-MARK — Trading range against the dollar in 1986 is 2.4710 to 2.0605. July average 2.1521. Exchange rate index 138.9 against 132.6 six months ago.

The D-Mark was a little weaker against the dollar in Frankfurt yesterday. Early trading pushed the dollar firmer on renewed speculation that the West German Bundesbank would cut its discount rate. However there was little follow through demand since dealers were sceptical about the possibility of a cut at tomorrow's meeting of the Bundesbank central council. The dollar was fixed at DM 2.0719 against DM 2.0564 and closed at DM 2.0740 from DM 2.0590.

JAPANESE YEN — Trading range against the dollar in 1986 is 202.70 to 153.75. July average 158.61. Exchange rate index 217.9 against 188.7 six months ago.

The yen was slightly weaker in very quiet trading in Tokyo yesterday. Volume was reduced by proximity of the summer holiday season. The dollar edged higher to close at Y154.05 from Y153.55 in New York and Y153.55 in Tokyo on Monday as short covering developed after renewed hopes that oil prices may rise. Interest in the dollar was also due to speculation that the West German Bundesbank may cut its discount rate soon.

POUND SPOT—FORWARD AGAINST POUND

Aug 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4820-1.4910	1.4840-1.4850	0.47-0.44c pm	3.68	1.27-1.22 pm	3.35
Canada	2.0609-2.0664	2.0625-2.0635	0.30-0.21c pm	1.48	0.59-0.44 pm	1.00
Nethlnd.	3.46½-3.48	3.47-3.48	1⅛-1⅛c pm	4.32	3⅞-3½ pm	4.17
Belgium	63.54-63.84	63.55-63.65	17-12c pm	2.74	45-36 pm	2.55
Denmark	11.50¾-11.64¾	11.53¾-11.54¾	⅞-⅜ore pm	0.52	⅜-par pm	0.13
Ireland	1.0995-1.1123	1.1085-1.1095	par-0.10p dis	−0.55	par-0.15 dis	−0.28
W. Ger.	3.07½-3.09	3.08-3.09	1½-1¼pf pm	5.35	4⅛-3¾ pm	5.11
Portugal	215.92-217.63	215.92-217.55	65-160c dis	−6.24	185-465 dis	−6.01
Spain	199.15-199.81	199.15-199.44	20-75c dis	−2.86	105-195 dis	3.01
Italy	2110½-2120	2110½-2111½	2-5lire dis	−1.99	5-9 dis	−1.33
Norway	10.93½-10.96½	10.95½-10.96½	3⅞-4⅞ore dis	−4.31	12⅞-13⅞dis	−4.72
France	9.98-10.03	10.02-10.03	2⅝-2⅛c pm	2.92	6⅞-6⅛ pm	2.59
Sweden	10.29¾-10.32¾	10.31½-10.32½	⅝-⅜ore pm	0.44	⅞-⅛ pm	0.22
Japan	229-230	229-230	1⅛-⅞y pm	5.23	2⅞-2⅝ pm	4.79
Austria	21.63-21.68	21.63-21.67	9⅝-8⅝gro pm	4.92	25⅞-22⅞ pm	4.39
Switz.	2.48-2.49¾	2.48¾-2.49¾	1⅛-1⅛c pm	6.02	3⅞-3⅝ pm	5.22

Belgian rate is for convertible francs. Financial franc 64.15-64.25. Six-month forward dollar 2.50-2.45c pm 12-month 4.53-4.43c pm.

CURRENCY MOVEMENTS

August 12	Bank of England Index	Morgan Guaranty Change %
Sterling	71.4	−20.8
U.S. Dollar	111.1	+2.7
Canadian Dollar	77.3	−13.0
Austrian Schilling	130.3	+7.9
Belgian Franc	96.2	−6.8
Danish Kroner	88.4	+0.7
Deutsche Mark	138.9	+17.3
Swiss Franc	167.6	+22.2
Guilder	128.8	+11.5
French Franc	69.7	−13.5
Lire	47.4	−16.4
Yen	217.9	+61.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Aug 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4820-1.4910	1.4840-1.4850	0.47-0.44c pm	3.68	1.27-1.22 pm	3.35
Ireland†	1.3360-1.3461	1.3370-1.3380	0.60-0.25c pm	3.80	1.55-1.05 pm	3.87
Canada	1.3800-1.3940	1.3890-1.3900	0.24-0.27c dis	−2.20	0.79-0.84dis	−2.35
Nethlnd.	2.3245-2.3430	2.3405-2.3415	0.16-0.13c pm	0.75	0.51-0.46 pm	0.83
Belgium	42.71-42.97	42.80-42.90	2-4c dis	−0.84	7-11 dis	−0.84
Denmark	7.71⅛-7.77½	7.77-7.77½	1.25-1.85ore dis	−2.40	4.60-5.25dis	−2.54
W. Ger.	2.0615-2.0730	2.0770-2.0780	0.34-0.31pf pm	1.88	0.94-0.89 pm	1.77
Portugal	146-146¾	146½-146¾	80-150c dis	−9.86	250-490 dis	−9.30
Spain	134.10-134.60	134.35-134.45	60-80c dis	−6.25	180-220dis	−5.96
Italy	1419-1426½	1421¾-1422¾	6-7lire dis	−5.48	16-17½ dis	−4.71
Norway	7.34¾-7.38½	7.38-7.38½	4.85-5.25ore dis	−8.22	14.90-15.30dis	−8.20
France	6.70¾-6.75½	6.75-6.75½	0.35-0.42c dis	−0.69	1.20-1.35dis	−0.76
Sweden	6.92-6.95½	6.95-6.95½	1.70-1.90ore dis	−3.11	5.20-5.50dis	−3.11
Japan	153.90-154.80	154.65-154.75	0.25-0.20y pm	1.75	0.62-0.57 pm	1.54
Austria	14.52½-14.58½	14.58-14.58½	2-1gro pm	1.23	4½-3 pm	1.03
Swit.	1.6565-1.6785	1.6785-1.6795	0.36-0.31c pm	2.41	0.84-0.79 pm	1.95

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 43.20-43.30.

CURRENCY RATES

Aug. 12	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.812775	0.686118
US $	6	1.20689	1.01786
Canadian $	8.63	*	1.41533
Austria Sch	4	17.5856	14.8403
Belgian Fr.	8	51.7215	43.6507
Danish Kr.	7	9.34857	7.89347
D'mark	3½	2.50056	2.10900
Guilder	4½	2.81628	2.37669
French Fr.	9½	8.12237	6.85424
Lira	12	1712.73(1)	1450.70
Yen	3½	185.499	157.228
Norway Kr.	8	8.89699	7.50465
Span'h Pta.	—	162.045	136.647
Swedish Kr.	8	8.37159	7.06748
Swiss Fr	4	2.01732	1.70033
Greek Drch	20½	163.196	137.604
Irish Punt	—	0.897168(1)	0.759310

* C$/SDR rate for August 11: 1.67708 (1) SDR rate for August 11.

EXCHANGE CROSS RATES

Aug. 12	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.485	3.085	229.5	10.03	2.495	3.475	2111	2.063	63.60
$	0.674	1.	2.078	154.7	6.753	1.679	2.341	1422.	1.390	42.85
DM	0.324	0.481	1.	74.39	3.250	0.808	1.126	684.3	0.669	20.62
YEN	4.357	6.468	13.44	1000.	43.68	10.86	15.14	9198.	8.989	277.1
F Fr.	0.998	1.481	3.077	228.9	10.	2.486	3.466	2106.	2.058	63.44
S Fr.	0.401	0.596	1.238	92.08	4.022	1.	1.394	846.9	0.828	25.52
H Fl.	0.288	0.427	0.888	66.04	2.885	0.717	1.	607.5	0.594	18.30
Lira	0.474	0.703	1.461	108.7	4.749	1.181	1.646	1000.	0.977	30.15
C $	0.485	0.720	1.495	111.2	4.859	1.208	1.684	1023.	1.	30.83
B Fr.	1.572	2.334	4.851	360.8	15.76	3.919	5.464	3319.	3.244	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

OTHER CURRENCIES

Aug. 12	£	$
Arg'tina	1.4250-1.4305	0.9600-0.9630
Aus'alia	2.4450-2.4485	1.6465-1.6485
Brazil	20.44-20.56	13.77-13.84
Finland	7.3070-7.3195	4.9260-4.9280
Greece	119.12-203.35	134.09-136.25
H'kong	11.5765-11.5870	7.7925-7.7945
Iran	112.40*	76.20*
Kuwait	0.4310-0.4315	0.29040-0.29060
Lux'burg	63.55-63.65	42.80-42.90
Malaysia	3.8846-3.8950	2.6160-2.6210
N'Z'land	2.9830-2.9905	2.0080-2.0140
Saudi Ar.	5.5690-5.5740	3.7525-3.7535
Sin'pore	3.2090-3.2145	2.1600-2.1680
SAf (Cm)	3.8845-3.9170	2.6250-2.6315
S.Af.(Fn)	7.3285-7.7095	4.9385-5.1950
U.A.E.	5.4495-5.4550	3.6735-3.6735

* Selling rate. Correction for August 11 SAf (Fn) 7.4865-7.8855.

EURO-CURRENCY INTEREST RATES

August 12	Short term	7 Days notice	1 Month	Three Months	Six Months	One Year
Sterling	9⅝-9⅞	9⅛-9⅜	9⅞-10	9⅛-9⅞	9⅛-9⅜	9¾-9⅞
U.S. Dollar	6⅛-6⅞	6⅛-6⅛	6⅛-6⅛	6⅛-6⅛	6⅛-6⅛	6⅛-6⅛
Can Dollar	7⅞-8⅛	8⅛-8⅜	8⅛-8⅜	8⅜-8⅝	8⅛-8⅛	8⅞-9⅛
D Guilder	5⅝-5⅞	5¾-5⅞	5⅛-5⅛	5⅜-5½	5⅛-5⅛	5⅛-5⅛
Sw. Franc	1⅝-2	1⅞-2	4⅛-4⅛	4⅛-4⅜	4⅛-4⅛	4⅛-4⅛
Deutschmrk	4⅛-4⅛	4⅛-4⅛	4⅛-4⅛	4⅛-4⅛	4⅛-4⅛	4⅛-4⅝
Fr. Franc	7-7⅛	7-7⅛	7⅛-7⅛	7⅛-7⅛	7⅛-7⅛	7⅛-7⅝
Italian Lira	15-20	11⅞-12⅛	11½-12	10⅝-11⅛	10⅝-11⅛	10⅞-11⅛
B.Fr.(Fin)	6⅞-7⅛	7-7⅛	7⅛-7⅝	7⅛-7⅝	7⅛-7½	7⅛-7½
B.Fr.(Con)	6¾-7⅛	7-7⅛	7-7⅛	7-7⅛	7-7⅛	7-7⅛
Yen	4⅛-4⅛	4¾-4⅛	4⅛-4⅞	4⅝-4⅛	4⅝-4⅛	4⅝-4⅛
D. Krone	9 9⅛	9-9⅛	9-9⅛	9⅛ 9⅜	9⅛-9⅜	9⅝-10⅛
Asian $ (Sng)	6⅛-6⅛	6⅜-6⅛	6⅛ 6⅛	6⅛-6⅝	6⅛-6⅝	6⅜-6⅛

Long-term Eurodollars: two years 6⅞-7⅛ per cent; three years 7⅛-7⅛ per cent; four years 7⅛-8 per cent; five years 8-8⅛ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

FINANCIAL FUTURES

Little change

PRICES WERE little changed on the London International Financial Futures Exchange yesterday. September long term gilts opened firmer at 120-23, maintaining Monday's trend, when the contract was firm on a recovery by the pound and the strength of US Treasury bonds. The contract touched a peak of 120-27 yesterday, but dealers suggested there was little immediate prospect of a break out from the recent range of 119-20 to 121-00. The better performance of the pound this week helped keep the price towards the top of the range, but the market fears sales of tap stock by the Government broker at around the 121-00 level. September gilts fell back to close at 120-15, only slightly above the day's low of 120-13, and compared with 120-18 at the previous settlement.

September US Treasury bond futures finished unchanged on the day at 99-17. The contract opened at 100-01 had advanced to a peak of 100-07, on speculation about a co-ordinated cut in world interest rates, following the informal meeting between Mr Paul Volcker, chairman of the Federal Reserve Board, and Mr Karl Otto Poehl, president of the Bundesbank, in West Germany at the weekend. Some selling developed when Japanese officials said they were not involved in the meeting.

LIFFE LONG GILT FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
116	4.31	5.29	—	—	0.01	1.05	—	—
118	2.38	4.06	—	—	0.08	1.48	—	—
120	1.06	2.61	—	—	0.40	2.37	—	—
122	0.18	2.03	—	—	1.52	3.43	—	—
124	0.03	1.23	—	—	3.37	4.63	—	—
126	0.00	0.55	—	—	5.34	6.31	—	—
128	0.00	0.34	—	—	7.34	8.10	—	—
130	0.00	0.19	—	—	9.34	9.59	—	—

Estimated volume total, Calls 612 Puts 480
Previous day's open int. Calls 12,889 Puts 4,632

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
88	11.34	11.13	—	—	0.00	0.21	—	—
90	9.34	9.28	—	—	0.00	0.36	—	—
92	7.34	7.51	—	—	0.00	0.59	—	—
94	5.35	6.19	—	—	0.01	1.27	—	—
96	3.39	4.82	—	—	0.05	2.06	—	—
98	1.60	3.53	—	—	0.26	2.61	—	—
100	0.51	2.56	—	—	1.17	4.00	—	—
102	0.14	2.07	—	—	2.44	5.15	—	—

Estimated volume total, Calls 487 Puts 0
Previous day's open int. Calls 2,341 Puts 1,038

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike price	Calls—Last Aug	Sept	Oct	Dec	Puts—Last Aug	Sept	Oct	Dec
1.30	—	18.40	—	18.40	—	0.00	—	0.26
1.35	13.40	13.40	13.40	13.40	0.00	0.02	0.14	0.77
1.40	8.40	8.40	8.40	8.56	0.00	0.20	0.64	1.83
1.45	3.40	4.02	4.54	5.40	0.07	1.10	1.97	3.67
1.50	0.31	1.42	2.07	3.11	1.98	3.50	4.50	6.38
1.55	0.00	0.33	0.76	1.63	6.67	7.41	8.19	9.90
1.60	0.00	0.05	0.22	0.77	11.67	12.13	12.65	14.04

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 4,046 Puts 5,291

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last Aug	Sept	Oct	Dec	Puts—Last Aug	Sept	Oct	Dec
135	—	19.80	—	19.80	—	0.50	—	1.50
140	8.75	8.75	8.95	9.45	0.05	0.35	0.85	2.10
145	3.80	4.35	5.05	6.00	0.15	1.25	2.15	4.00
150	0.40	1.75	2.50	3.55	1.85	3.55	4.65	6.65
155	0.20	0.55	1.05	2.00	6.75	7.50	8.25	10.00
160	0.10	0.20	—	1.05	11.75	11.75	—	13.95
165	0.10	0.20	—	0.70	17.25	17.40	—	18.70

Previous day's open int. Calls 4,789 Puts 2,211
Volume, 409

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike price	Calls—Last Aug	Sept	Dec	Mar	Puts—Last Aug	Sept	Dec	Mar
1.30	—	18.00	18.00	—	—	—	0.25	—
1.35	—	13.00	13.10	13.20	—	0.05	0.75	1.80
1.40	—	8.05	8.70	19.20	—	0.15	1.75	3.20
1.45	3.20	4.00	5.40	6.05	0.06	0.90	3.35	5.15
1.50	0.20	1.25	2.95	4.00	1.65	3.20	6.00	7.80
1.55	—	0.25	1.65	2.65	6.35	7.00	9.30	11.20
1.60	—	0.10	0.90	1.50	11.20	11.60	13.50	15.10

Previous day's open int. Calls 39,935 Puts 38,039
Previous day's volume, Calls 1,954 Puts 2,604

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike price	Calls—Last Sept	Dec	Mar	June	Puts—Last Sept	Dec	Mar	June
92.25	1.45	1.46	1.40	—	0.00	0.00	0.03	—
92.50	1.20	1.22	1.17	—	0.00	0.01	0.05	—
92.75	0.95	0.98	0.95	—	0.00	0.02	0.08	—
93.00	0.70	0.76	0.74	—	0.00	0.05	0.12	—
93.25	0.46	0.55	0.56	—	0.01	0.09	0.19	—
93.50	0.24	0.37	0.40	—	0.04	0.16	0.28	—
93.75	0.09	0.23	0.27	—	0.14	0.27	0.40	—

Previous day's open int. Calls 1,575 Puts 2,011
Estimated Volume, Calls 0 Puts 23

CHICAGO

US TREASURY BONDS (CBT)
8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	99-30	100-12	99-27	99-27
Dec	99-04	99-18	99-02	99-01
March	98-10	98-23	98-07	98-06
June	97-15	97-28	97-13	97-11
Sept	96-22	97-01	96-19	96-17
Dec	95-30	96-10	95-27	95-25
March	95-08	95-13	95-06	95-03
June	—	—	—	94-15
Sept	—	—	—	—
Dec	—	—	—	93-15
March	—	—	—	93-02

US TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev
Sept	94.57	94.59	94.54	94.49
Dec	94.66	94.68	94.63	94.58
March	94.62	94.64	94.61	94.37
June	94.46	94.47	94.44	94.37
Sept	94.22	94.22	—	94.14
Dec	93.97	93.98	93.97	93.90
March	93.73	93.74	93.73	93.66

CERT. DEPOSIT (IMM)
$1m points of 100%
$1m points of 100%

	Latest	High	Low	Prev
Sept	—	—	—	93.99
Dec	—	—	—	94.02
March	—	—	—	93.14

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev
Sept	93.71	93.72	93.69	93.64
Dec	93.72	93.76	93.71	93.66
March	93.42	93.66	93.63	93.57
June	93.42	93.45	93.42	93.35
Sept	93.16	93.16	93.15	93.08
Dec	92.86	92.88	92.86	92.80
March	42.58	92.59	92.58	92.52
June	92.31	92.32	92.30	92.25

STERLING INDEX

	Aug 12	Previous
8.30 am	71.6	70.7
9.00 am	71.5	70.7
10.00 am	71.4	70.9
11.00 am	71.5	70.7
Noon	71.5	70.7
1.00 pm	71.4	70.7
2.00 pm	71.5	70.8
3.00 pm	71.5	70.8
4.00 pm	71.4	71.1

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev
Sept	120-15	120-27	120-13	120-18
Dec	120-12	120-21	120-12	120-14
March	120-05	—	—	120-07
June	120-05	—	—	120-07

Est. Volume 6,170 (5,868)
Previous day's open int. 13,332 (13,188)
Basis quote (clean cash price of 13% Treasury 2004/08 less equivalent price of near futures contract) −4 to 4 (32nds)

10% NOTIONAL SHORT GILT
£100,000 64ths of 100%

	Close	High	Low	Prev
Sept	100.57	100.60	100-57	100-57
Dec	100-57	—	—	100-57
March	100-57	—	—	100-57

Est. Volume 188 (305)
Previous day's open int. 1,082 (1,045)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev
Sept	90.28	90.30	90.26	90.23
Dec	90.57	90.60	90.56	90.52
March	90.58	90.60	90.58	90.54
June	90.47	90.48	90.43	90.46
Sept	90.34	90.40	90.33	90.37

Est. Volume 2,585 (1,686)
Previous day's open int. 14,374 (14,417)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev
Sept	159 60	159.50	158.10	158.50
Dec	162.45	—	—	161.35
March	164.95	—	—	163.85

Est. Volume 526 (319)
Previous day's open int. 2,610 (2,664)

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
Sept	93.70	93.72	93.67	93.64
Dec	93.71	93.75	93.70	93.66
March	93.62	93.65	93.61	93.56
June	93.42	93.45	93.40	93.35
Sept	93.15	93.16	93.11	93.08

Est Volume 4,989 (4,019)
Previous day's open int. 19,607 (20,040)

US TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev
Sept	99-17	100-07	99-15	99-17
Dec	98-28	99-17	98-27	98-29

Est Volume 8,964 (7,347)
Previous day's open int. 7,939 (7,131)

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4845	1.4800	1.4720	1.4598	1.4397

IMM—STERLING $s per £

	Latest	High	Low	Prev
Sept	1.4800	1.4815	1.4785	1.4765
Dec	1.4875	1.4700	1.4660	1.4640
March	1.4570	1.4570	1.4540	1.4470
June	—	—	—	1.4360

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu August 12	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.1139	43.6507	+1.25	+1.25	±1.5368
Danish Krone	7.81701	7.89347	+0.98	+0.98	±1.6403
German D-mark	2.11083	2.10000	−0.09	−0.09	±1.1127
French Franc	6.87316	6.85424	−0.28	−0.28	±1.3659
Dutch Guilder	2.37333	2.37569	−0.07	−0.07	±1.5059
Irish Punt	0.764976	0.759310	−0.74	−0.74	±1.6683
Italian Lira	1476.95	1450.70	−1.78	−1.78	±4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

MONEY MARKETS

Hopes grow of cuts in world rates

INTEREST RATES had a softer tone in London yesterday, as speculation increased about a co-ordinated round of world interest rate cuts in the near future. Mr Paul Volcker, chairman of the Federal Reserve Board, met Mr Karl Otto Poehl, president of the West German Bundesbank, for informal talks at the weekend. This was followed by a report in the US press that agreement had been reached to cut rates. The anniversary of last year's Group of Five agreement, made in New York on September 22, to reduce the value of the dollar, is regarded as a likely time for any such move. Japan is expected to be included in any agreement, but there are doubts whether the other G-5 members, Britain and France, will take part.

In Frankfurt call money was steady at 4.45 per cent, and dealers did not expect the Bundesbank to cut its discount or Lombard rate at tomorrow's council meeting: the first since the summer break. The central bank drained liquidity at yesterday's securities repurchase agreement tender. Bids of DM 10.1bn were accepted for a 28-day agreement, at a fixed rate of 4.35 per cent. Bids were DM 27.3bn and the new agreement replaces DM 14.5bn leaving the market today, as an earlier agreement expires.

On the London money market rates eased, on hopes of world interest rate cuts, and the better performance of sterling on the foreign exchanges. Three-month interbank fell to 9⅞-9⅝ per cent from 9⅞-9⅞ per cent.

The Bank of England initially forecast a money market shortage of £100m, but changed this to £150m at noon, and provided help of £136m.

The authorities did not operate in the market during the morning, and in the afternoon bought £136m bills outright, by way of £59m bank bills in band 2 at 9⅞ per cent; £73m bank bills in band 3 at 9¾ per cent; and £4m bank bills in band 4 at 9⅞ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £381m. This outweighed Exchequer transactions adding £185m to liquidity; a fall in the note circulation of £65m; and bank balances above target by £20m.

UK clearing bank base lending rate 10 per cent since May 22

NEW YORK RATES
(Lunchtime)

Prime rate	7½
Broker loan rate	[illegible]
Fed funds	[illegible]
Fed funds at intervention	[illegible]
Treasury Bills & Bonds	
One month	[illegible]
Two month	[illegible]
Three month	[illegible]
Six month	[illegible]
One year	[illegible]
Two year	[illegible]
Three year	[illegible]
Four year	[illegible]
Five year	[illegible]
Seven year	[illegible]
10 year	[illegible]
30 year	[illegible]

FT LONDON INTERBANK FIXING
(11.00 a.m. August 12)

Three months US dollars		Six months US dollars	
bid 6⅛	offer 6⅛	bid 6⅛	offer 6⅛

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

August 12	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	7-10	9⅛-10	9⅞-10	9⅛-9⅞	9⅛-9⅞	9⅛-9⅞
Sterling CDs	—	—	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	—	—	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt. Depos	9-10	[illegible]	[illegible]	[illegible]	—	—
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Depos	—	—	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	—	—	[illegible]	[illegible]	—	—
Bank Bills (Buy)	—	—	[illegible]	[illegible]	[illegible]	—
Fine Trade Bills (Buy)	—	—	[illegible]	[illegible]	[illegible]	—
Dollar CDs	—	—	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Depos	—	—	[illegible]	[illegible]	[illegible]	[illegible]
ECU Depos	—	—	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one month 9⅝ per cent; three months 9⅝ per cent. Bank Bills (sell): one month 9⅝ per cent; three months 9⅝ per cent. Treasury Bills: Average tender rate of discount 9.5445 per cent. ECGD Fixed Finance Scheme IV reference date July 2 to August 5 (inclusive): 10.009 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10 per cent from August 1 1986. Bank Deposit Rates for sums at seven days' notice 4.25-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 10 per cent; one-three months 9⅝ per cent; three-six months 9⅝ per cent; six-nine months 9⅝ per cent; nine-12 months 9⅝ per cent. Under £100,000 9⅝ per cent from August 6. Deposits held under Series 5 9⅝ per cent. Deposits withdrawn for cash 5½ per cent.

MONEY RATES

August 12	Over night	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.40-4.80	4.50-4.55	4.55-4.65	4.55-4.65	4.55-4.70	5.5
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—

Commodities

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1986 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
102	100½	Exch. 14pc 1986	100	.....	13.90	10.06
98	94	Exch. 2½pc 1986	98	+	2.53	6.84
102	100¼	Exch. 13¼pc 1987	101	.....	13.06	9.67
100⅞	97	Treas 10¼pcCv '87	100	.....	10.23	9.76
97	92	Exch 2½pc 1987	97	+	2.56	6.72
101	97½	Exch. 10½pc 1987	100	+	10.46	9.70
98	93	Funding 6½pc '85-87‡‡	98	+	6.61	8.83
101	96	Treas. 10pc 1987	100¼	+	9.98	9.61
97	90⅞	Treas 3pc 1987	96½	+	3.11	6.99
104½	99	Treas. 12pc 1987	102½	+	11.71	9.69
99	92	Treas 7¾pc 1985-88‡‡	98	+	7.91	9.21
104	96	Exch 10½pc '88	101	+	10.37	9.62
102	95	Treas 9¾pc Cv '88	100¼	+	9.73	9.57
94	86	Transport 3pc '78-88	92	+	3.24	7.25
102½	93	Treas. 9½pc '88	99	+	9.52	9.53
107	98	Treas 11½pc 1989	104 xd	+	11.09	9.53
103½	93	Treas 9½pc Cnv. '89	100	+	9.50	9.48
92	82	Treas 3pc 1989	89	+	3.36	7.35
105	95	Treas 10½pc 1989	102¼	+	10.27	9.55
104	94	Exch 10pc 1989	101	+	9.90	9.58
107	97	Exch 11pc 1989	103⅝	+	10.62	9.60
93	84½	Treas 5pc 1986-89	91¼	+	5.49	8.22
110	94	Exch 10¼pcCv '89	105	+	9.72	8.28
114	103	Treas 13pc 1990‡‡	110¼	+	11.78	9.36
108	97	Exch 11pc 1990‡‡	104	+	10.52	9.41
113	101	Exch. 12½pc 1990	109	+	11.47	9.48
89	79	Treas. 3pc 1990	86	+	3.49	7.35
100	89	Treas 8¼pc 1987-90‡‡	97	+	8.47	9.04
106	93	Treas. 10pcCv 1990	101	+	9.81	9.41
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for November 1985: 378.4 and for June 1986: 385.8.

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

PLANTATIONS

Rubbers, Palm Oil

1986 High	Low	Stock	Price	+ or –	Div Net	Cvr	Y'ld Gr's
52	35	Anglo-East Plants.	35	......	—	—	—
93	60	Bertam 10p	68	+1	0.95	2.4	2.0
68	43	Cons. Plants M$0.5	54	.....	‡vQ26c	1.1	‡
70	24	Grand Central 10p	70	+4	—	—	—
92	54	Harrisons Mly. Pl. M$1	78	–2	Q20c	2.6	7.4
63	33	Highlands M50c	43	–1	vQ15c	ϕ	9.0
56	34	Kuala Kepong M$1	44	–2	vQ15c	1.2	10.3
50	38	Rowe Evans Inv. 10p	45	......	1.5	ϕ	4.9

Teas

1986 High	Low	Stock	Price	+ or –	Div Net	Cvr	Y'ld Gr's
830	775	Assam Dooars £1	830	......	9.0	3.9	1.5
£19½	£15	Lawrie Grp. £1	£19½xd	......	40.0	ϕ	2.9
367	287	McLeod Russel £1	312	+4	†7.5	7.7	3.4
252	192	Do.8.4pcCnv.Pf.	207	+2	8.4%	19.3	5.7
750	725	Moran £1	740	......	a†12.3	3.2	2.3
615	390	Williamson £1	580	+5	20.0	6.6	4.9

MINES

Central Rand

1986 High	Low	Stock	Price	+ or –	Div Net	Cvr	Y'ld Gr's
725	301	Durban Deep R1	422	+25	Q100c	3.3	6.3
419	222	East Rand Prp. R1	337	......	—	—	—
88	43	Egoli Cons.	52	......	—	—	—
£68⅝	£38⅝	Randfont'n Est. R2	£47½xd	–½	Q1,700c	ϕ	9.3
182	68	Simmer & Jack R0.02	73	–4	Q20c	1.0	7.2
265	108	West Rand R1	125	–5	‡Q120c	2.1	‡

Eastern Rand

1986 High	Low	Stock	Price	+ or –	Div Net	Cvr	Y'ld Gr's
160	79	Bracken 90c	105	–18	†Q100c	1.1	24.9
385	173	♥Cons Mod'tein 5c	200	......	gQ53.3	ϕ	7.3
255	161	East Daggа R1	193	–10	—	—	—
£11¼	650	Eastern Trns. Cn. 50c	800	–25	Q250c	ϕ	8.2
390	210	ERGO R0.50	220	–40	Q85c	2.6	10.1
375	163	Grootvlei 25c	200	–3	‡Q180c	1.4	‡
£12½	590	Kinross R1	712	+12	†Q325c	1.3	11.9
160	65	Leslie 65c	98	–5	‡Q105c	0.9	—
123	60	Marievale R0.25	73	–12	‡Q70c	1.1	‡
60	25	♥Modder B Gold Hldgs.	35	+5	—	—	29.3
60	25	♥Rand Ext & Expl 50c.	35	+5	—	—	—
165	70	S. African Ld. 35c	85xd	....	†Q47½c	1.1	14.6
105	50	Viakfontein 20c	56	–5	Q60c	ϕ	28.5
£17½	762	WinkelHaak R1	£11	–⅛	†Q460c	1.2	10.9
55	20	Wit. Nigel 25c	28	+5	—	—	—

Far West Rand

1986 High	Low	Stock	Price	+ or –	Div Net	Cvr	Y'ld Gr's
425	238	Blyvoor 25c	325	.....	Q200c	ϕ	16.2
£21¼	997	Buffels R1	£14	+⅛	Q1000c	ϕ	18.7
200	106	Deelkraal R0.20	140	–25	Q55c	ϕ	10.3
919	437	Doornfontein R1	531	.....	Q255c	ϕ	12.5
£13⅝	706	Driefontein R1	812	–38	Q335c	ϕ	10.8
594	270	Elandsrand Gld. 20c	355xd	–18	†Q110c	1.6	8.1
195	87	Elsburg R1	113xd	–7	Q26c	ϕ	6.0
345	180	Hartebeest 10c	250	–15	Q110c	ϕ	11.5
637	305	Kloof Gold R0.25	444	+13	Q125c	ϕ	7.4
£13¼	624	Libanon R1	782	+6	Q415c	ϕ	13.9
£31	£15¼	Southvaal 50c	£19⅜xd	–⅛	†Q660c	1.0	8.9
556	284	Stilfontein 50c	348	–25	‡Q290c	1.5	‡
£59¼	£31⅝	Vaal Reefs 50c	£41½xd	–2	†Q1,900c	1.5	12.0
538	228	Venterspost R1	313	–10	Q200c	ϕ	16.7
310	124	Western Areas R1	178xd	–7	Q40c	ϕ	5.9
£29¼	£15¼	Western Deep R2	£19⅛xd	–⅛	†Q640c	2.5	8.7
58	30	Zandpan 10c	48	–3	Q18c	ϕ	11.8

Miscellaneous (continued)

1986 High	Low	Stock	Price	+ or –	Div Net	Cvr	Y'ld Gr's
102	70	Greenwich Res	93	+3	—	—	—
157	93	Hampton Areas 10p	146	....	ϕ1.0	—	1.0
327	165	♥Highwood Res.	327	+15	—	—	—
£19⅛	£13⅞	Homestake Mining $1	£17	+⅝	Q20c	—	0.8
310	175	♥McFinley Red Lake	194	+8	—	—	—
285	165	♥Mueso Explorations	165	–1	—	—	—
51	28	♥New Sabina Res C$1	28	–1½	—	—	—
285	200	Northgate C$1	285	+4	—	—	—
790	513	RTZ	563	+1	22.0	2.8	5.5
£164	£115	Do. 9¼pcLn '95-2000	£125	+3	Q9¼%	15.5	7.7

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- ▼ Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ■ No par value.

B.Fr. Belgian Francs. Fr. French Francs. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –	Stock	Price	+ or –
Albany Inv 20p	59	......	Fin. 13% 97/02	£115⅝	+¼
Craig & Rose £1	£11	+½	Arnotts	310	–5
Finlay Pkg. 5p	42	....	CPI Hldgs	45	......
Holt (Jos) 25p	805	....	Carroll Inds.	144	–1
Iobl Stm. £1	75	....	Dublin Gas	30	......
			Hall (R. & H.)	70	......
IRISH			Helton Hldgs.	28½	......
Fund 11¼% 1988	£100⅛	......	Irish Ropes	95	......
Nat. 9¾% 84/89	£98½	......	Unidare	215	+5

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LONDON STOCK EXCHANGE

Account Dealing Dates

Option *First Dealings	Declara-tions	Last Dealings	Account Day
July 28	Aug 7	Aug 8	Aug 18
Aug 11	Aug 28	Aug 29	Sept 8
Sept 1	Sept 11	Sept 12	Sept 22

* "New-time" dealings may take place from 9.30 am two business days earlier.

Interest rate hopes give markets a further boost

Revived interest rate hopes together with the continuing effects of Monday's good news about lower raw material costs were a further shot in the arm for London stock markets yesterday. Equities returned to centre-stage as the previous session's heavy buying of gold and platinum-related issues petered out, leaving prices at the mercy of profit-taking.

The possibility of a co-ordinated reduction in American and European interest rates next month was the latest stimulant. It triggered slightly cheaper rates for commercial credit which left the key three-month interbank rate below the current level of base lending rates. Sterling meanwhile continued to benefit from last month's sharp fall in producer input prices, and its impact on inflation.

Wall Street's best rise for some time — the Dow Jones index spurted 28 points overnight on cheaper money hopes — was a further incentive for investors. Institutional and US operators were active and just when the price advance seemed to be flagging, interest was revitalised by Unilever. The group announced a mid-term earnings rise of around 20 per cent and helped to restore confidence over the corporate profits' outlook which was severely dented throughout the past week.

Demand for stock was persistent and eventually exerted a squeeze on dealers' book positions. This gave the market added momentum and many leading shares scored double-figure gains. The FT indices touched their highest levels within the first hour but after retracing their steps by some 5 points went higher again late. A firm New York opening yesterday aroused fresh optimism and the FT-SE 100 share closed 15.4 up on balance at 1558.2. The FT Ordinary share index regained 13.3 more for a two-day rise of 24.6 to 1242.0.

Government securities were also in confident mood. Longer maturities rose nearly a point on renewed and more widespread support, before tap stock considerations stifled interest. The authorities accepted a bid of 23¾ for supplies of the stock, partly-paid Treasury 8½ per cent 2007, but remained a seller at that price; the issue was activated for the first time on Monday at a cut price of 23¼. Potential buyers then withdrew and the longs slipped back to end around ⅜ higher on the day. Selected low-coupon shorts progressed on light demand from high tax-payers.

Clearers up again

Clearing banks continued to make good progress. NatWest were again popular at 507p, up 10, while Barclays ended a similar amount dearer at 467p as did Lloyds at 403p. Elsewhere, Henry Ansbacher continued to reflect the good interim figures with a rise of 3 to 79p, while Mercury International put on 5 at 340p and Schroders appreciated 8 at 618p. Among Hire Purchases, Equity and General improved a penny more to a 1986 peak of 30p on speculative buying fuelled by rumours of a stake changing hands.

Renewed support in anticipation of today's interim figures helped Commercial Union gain 7 more at 306p. General Accident, which also reported half-yearly figures today, hardened a penny at 812p. GRE put on 4 at 829p, after 837p, and Royals added 5 at 824p, after 834p. Lloyds Brokers were featured by a speculative gain of 9 in Hogg Robinson, at 310p, as take-over hopes revived.

The impending Monopolies Commission investigation into the supply of beer for sale in licensed premises continued to overshadow leading Breweries. Guinness, however, provided a noteworthy firm feature, rising 10 to 317p amid reported US support. Elsewhere, Matthew Clark dipped 10 to 505p after revealing preliminary results below most market expectations.

Leading Building issues took a distinct turn for the better as interest rate optimism revived. Prices generally closed at the day's highest levels with Taylor Woodrow 15 up at 320p and George Wimpey 4 better at 205p. Redland firmed 7 to 413p, as did BPB Industries, to 505p. Tarmac improved 6 to 454p, while Marley, interim figures expected on August 27, added 3 to 111p. Blue Circle, a dull market recently on worries about cheap Greek cement imports, rallied 6 to 546p, while RMC moved up 10 to 650p. Elsewhere, Bryant Holdings attracted buyers at 113p, up 6, while USM-quoted Tay Homes gained 16 to 163p on takeover hopes.

ICI touched 995p on a combination of domestic and overseas demand before easing to close a net 19 up at 990p. Elsewhere in Chemicals, Wardle Storeys revived with a gain of 11 at 328p, while Allied Colloids picked up 7 at 196p.

Blacks Leisure fall

Early news of the agreed 3.6p cash bid from Sears saw Blacks Leisure drop to a new low of 3p before closing 3 down on balance at 4p. Martin Ford touched 68p before closing a couple of pence dearer at 66p following details of the property disposals and acquisition of Barrie Menswear for £1.1m. W. H. Smith "A" added 4 at 274p and Freemans appreciated 6 at 430p. Among the quietly firm Store leaders, Laura Ashley regained composure after the recent spate of nervous selling caused by rumours of a pending adverse circular, rallying 5 at 186p, after 189p.

With the exception of Thorn EMI, which advanced 10 to 477p, leading Electricals failed to hold initial gains. Elsewhere, Cray Electronics attracted buyers and put on 7 to 312p, but Ferranti, a recent bid favourite, drifted off to close 5 cheaper at 105p. Dataserv hardened 3 to 160p on news of the proposed acquisition of Compel Group for £4.2m, while revived speculative demand left Sunleigh a penny firmer at 29½p.

Engineers provided several noteworthy movements. Weir Group, due to report interim figures on August 27, met with persistent buying and advanced 9 to 113p, while Babcock, half-year results expected early in September, put on 6 further to 186p. G. M. Firth responded to the satisfactory preliminary statement with a gain of 2½ to 74½p, but the half-year loss left Davies and Metcalf "A" 3 lower at 53p. Hopkinsons were supported at 232p, up 12, along with Delta, 7 to the good at 183p. Dealings were temporarily suspended in SW Farmers at 24p pending clarification of the company's position.

Foods staged a technical recovery. J. Sainsbury picked up 8 at 374p and Asda-MFI improved 4 to 134p. Traded option activity in the wake of a recent broker's lunch with the company boosted Tesco 7 to 385p, while revived takeover hopes lifted Bejam 6 to 164p. Dee Corporation rose 10 to 250p. Elsewhere, Ranks Hovis McDougall gained 11 to 245p on takeover hopes, while Hillsdown Holdings rose 12 to 292p largely reflecting the efforts of a single buyer following talk of a broker's recommendation. Unigate revived with an improvement of 9 at 277p and Associated British Foods firmed 6 to 306p. Late support lifted Fitch Lovell 11 to 245p. Elsewhere, further buying in a restricted market lifted Meadow Farm Produce 15 to 245p.

Eleco advance

Eleco, reflecting the increased offer from Whitecroft, advanced 11 to 146p. Elsewhere in miscellaneous industrials, London International met with aggressive buying and put on 14 to 212p; it was announced yesterday that Soros Fund Management had acquired a 7.69 per cent stake in the company. Pentland, interim figures due on August 28, were supported and put on 20 to 430p, while Bestwood closed 23 higher at 608p following half-year statement. US buying left Pearson 20 higher at 525p and Reuters B 10 to the good at 505p, while Restmor responded to the preliminary figures with a gain of 6 at 98p. Bowater put on 10 to 300p and Smiths Industries 8 to 258p, but profit-taking clipped 5 from Johnson Matthey at 210p. Speculative demand left Ashley Industrial Trust 3 firmer at 44p after 47p. Technical Components closed 7 higher at 340p following the interim figures and proposed acquisition of TKR Group. Among the leaders, demand persisted for Beecham which touched 398p before settling 11 to the good at 396p. Glaxo rose 23 to 983p, while Unilever, reflecting better-than-expected half-year figures, put on ½ to £18.

Leisure issues displayed a dull feature in Samuelson which slumped 40 to 180p following the cautious tenor of the chairman's statement at the annual meeting. Firmer conditions prevailed elsewhere in the sector, however, with Leisuretime International 4 to the good at 84p following a Press mention. Buyers also displayed renewed enthusiasm for Pleasurama, finally 8 dearer at 318p.

AE highlighted Motors, jumping 32 to 234p, on the increased and final shares and cash offer from Turner and Newall, 5 easier at 177p; AE's board later rejected the new terms as "totally inadequate." Armstrong Equipment moved up 4 to 120p in sympathy with AE. Dowty firmed 8 at 217p. Lucas advanced 12 to 535p and improvements of 4 and 7 respectively were recorded in British Car Auction, 124p, and Appleyard, 143p. Jaguar rose 6 afresh to 536p, after 538p, following comment ahead of Monday's interim figures.

Good Relations met with nervous selling and dropped to a new low of 85p at one stage before closing a couple of pence easier on balance at 98p on the announcement that seven members of the group's corporate communications unit, including main Board director Mr Jeremy Wyatt, had resigned; the interim figures are scheduled for tomorrow. Elsewhere in Paper/Printings, Saatchi and Saatchi closed 5 better at 700p, after 710p, on further consideration of the board's proposed listing on the Tokyo Stock Exchange. Renewed speculative buying prompted gains of 8 and 10 respectively in DRG, 272p, and BPCC, 276p, while Abbott Mead Vickers put on 8 at 218p and Boase Massimi gained 7 at 267p.

The Property leaders displayed modest gains. Occasional buying interest left Land Securities 3 better at 318p and MEPC 2 dearer at 325p. Peachey hardened a penny to 267p as did Slough Estates, to 166p. Secondary issues featured Warnford Investments which gained 40 to 655p in a restricted market following Press comment highlighting bid prospects. Southend Stadium found support at 136p, up 5 and Centrovincial Estates gained 12 to 182p. Arlington Securities rallied 5 to 160p and Edmond Holdings improved 2 to 20½p. Buyers continued to show interest in Frogmore Estates which firmed 6 to 198p, but Rush and Tompkins slipped 3 to 242p following details of an £8.1m rights issue of convertible preference shares. Egerton attracted revived demand and gained 7 to 89p, while Abaco added 2 more to 73p.

Far-eastern orientated issues made useful progress in Investment Trusts. Drayton Japan firmed 9 at 731p and Fleming Japan put on 7 at 713p, while Baillie Gifford Japan rose 6 at 420p, as did GT Japan at 203p. Elsewhere, Pacific Investment continued to reflect unitisation hopes with a fresh improvement of 3 at 119p and Fleming Mercantile closed a penny dearer at 156p following the announcement that the Kuwait Investment Office now holds a 14.34 per cent stake in the company. Financials had Barrie Investment and Finance up another fraction at 15½p on counter bid hopes. Mercantile House were 5 higher at 258p. Biotechnology Investment, however, lost ½ to £13 following the interim figures and proposed 9-for-1 capitalisation issue.

Oils steady

Leading Oils gave a fairly steady performance as hopes persisted that the recently concluded OPEC agreement would hold. Shell edged up 4 more to 840p, but BP, a shade firmer at one stage, drifted off to close 3 cheaper on balance at 590p. Ultramar remained a nervous market awaiting the half-year figures and closed 3 more to a year's low of 130p, but Enterprise edged up a couple of pence to 120p and Triton Europe hardened a penny to 98p. Tricentrol, half-timer due on Friday, eased 3 to 58p.

Renewed buying on expansion hopes helped Tozer Kemsley touch 180p bid at one stage before closing an active session 5 dearer at 170p. Elsewhere in Overseas Traders, James Finlay added 6 at 84p.

Plantations were featured by a fresh speculative rise of 4 in Grand Central to a new peak of 70p; the shares have now risen from around the 50p level in a couple of weeks following an investment recommendation.

Mining markets, the subject of considerable excitement on Monday as renewed fears of possible disruptions to South African precious metal supplies stimulated widespread enthusiasm throughout the list, put on a much more composed performance yesterday.

Both Gold and Platinum lost modest ground — the former settled $2.75 lower at $348.25 an ounce, while Platinum was fixed $8 cheaper at $536.5 an ounce during the afternoon—and share quotations of metal producers gave ground accordingly.

The absence of follow-through interest from New York coupled with sporadic profit-taking of leading Golds from Johannesburg and many counters were standing at all-time highs in Rand terms — led investors elsewhere to realise often substantial short-term profits. Dealers reported more stable conditions, however, and losses among heavyweights were restricted to a couple of points, as in Vaal Reefs, £41¼. Among the more marginal stocks, Driefontein, $12p, and Elandsrand, 355p, gave up 38 and 18 respectively, while Marievale closed 12 to 73p. The FT Gold Mines index fell 5.1 to 232.9.

Australians lost ground as London mirrored dull conditions in overnight Sydney and Melbourne markets. Reports that a number of institutional portfolios were being offered for sale depressed leading diversified counters with Western Mining 9 cheaper at 145p. Similar losses were recorded by Peko-Wallsend, 220p, and CRA, 236p.

Australian Golds, heavily supported recently, reacted to cheaper bullion. Gold Mines of Kalgoorlie, 450p, and Central Norseman, 428p, closed 20 and 40 lower respectively, while Poseidon fell 13 to 113p, Sons of Gwalia eased 13 to 237p, while Whim Creek shed a couple of pence to 125p following the second quarter figures.

Traded Options

Improved conditions prevailed among Traded Options. Hanson Trust remained to the fore with 1,870 calls and 762 puts transacted, while Boots were also lively and attracted 1,497 calls. Lonrho was again the subject of sizeable hedging operations which resulted in 590 calls and 1,216 puts struck. The FT-SE 100 index contract accounted for 932 calls and 906 puts. Total contracts done amounted to 16,725.

London hotel award scheme

THE British Tourist Authority has launched a competition to highlight London bed-and-breakfast establishments offering something special for visitors.

A series of awards will be presented to acknowledge establishments giving value for money and a high standard of accommodation and service for prices charged.

FINANCIAL TIMES STOCK INDICES

	Aug 12	Aug 11	Aug 8	Aug 7	Aug 6	Year ago	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs.	89.17	88.98	88.86	88.06	89.02	83.58	94.51 (18/4)	80.39 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.76	95.63	95.77	95.76	95.87	88.58	97.48 (17/7)	86.55 (23/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♦	1242.0	1228.7	1217.4	1221.5	1233.7	959.6	1425.9 (3/4)	1094.3 (14/1)	1425.9 (3/4/86)	49.4 (26/6/40)
Gold Mines	232.9	238.0	232.9	194.3	193.3	343.5	357.0 (27/1)	185.7 (18/7)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.42	4.47	4.51	4.50	4.46	4.88				
Earnings Yld.%(full)	10.72	10.86	10.93	10.91	10.81	12.02				
P/E Ratio (net) (*)	11.38	11.23	11.15	11.18	11.28	10.26				
Total Bargains (Est.)	20,816	22,098	19,688	18,787	22,439	22,995				
Equity Turnover £m.	—	422.85	633.34	544.67	486.33	347.54				
Equity Bargains	—	17,997	22,264	20,894	19,454	20,019				
Shares Traded (ml).	—	200.1	302.5	271.8	225.3	180.0				

S.E. ACTIVITY

Indices	Aug 11	Aug 8
Gilt Edged Bargains	101.7	95.2
Equity Bargains	116.6	144.3
Equity Value	854.7	1280.1
5-Day Average		
Gilt Edged Bargains	109.2	111.4
Equity Bargains	131.3	131.1
Equity Value	1084.7	1098.1

♦ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1238.1	1240.6	1238.5	1239.9	1241.1	1240.5	1241.5	1241.4

Day's High 1242.7. Day's Low 1237.4.

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974 *Nil=10.99.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

EUROPEAN OPTIONS EXCHANGE

Series	Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TOTAL VOLUME IN CONTRACTS: 51,435

A=Ask B=Bid C=Call P=Put

TRADITIONAL OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Aug 4	Aug 15	Nov 6	Nov 17
Aug 18	Sept 5	Nov 20	Dec 1
Sept 8	Sept 19	Dec 4	Dec 15

For rate indications see end of Unit Trust Service

Money was given for the call of Marlborough Property, Centrovincial Estates, Hepworth Ceramic, Raine Industries, Samuelson, Amstrad, Asset Trust, European Ferries, Carr Boyd, Abaco Investments, Ultramar, Hawley, Imperial Continental Gas, Telemetrix, Good Relations, "The Times" Veneer, Guinness, Sound Diffusion, Mount Charlotte, Hawtin, Oliver Prospecting, Sidney C. Banks, Renishaw, Victoria Carpet, Trusthouse Forte, Argyll Group and Abbey Life. No puts or doubles were reported.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	80	6	26
Corpns. Dom. & Foreign Bonds	8	3	9
Industrials	449	206	862
Financial & Props.	201	51	322
Oils	18	19	81
Plantations	5	3	7
Mines	37	56	80
Others	98	52	101
Totals	906	394	1,488

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in SE Official List

Stock	No. of changes	Mon's close	Day's change	Stock	No. of changes	Mon's close	Day's change
NatWest Bank	19	497xd	+10	Jaguar	14	530	+7
Beecham	16	386	+10	Johnson Matthey	14	215	+27
Ladbroke	16	353	+12	Pilkington Bros.	14	415	+5
Lucas Inds.	15	523	+16	Royal Ins.	14	819	+17
Glaxo	14	860	+12	Lee (Arthur)	13	78	+8
ICI	14	971xd	+5	Lonrho	13	209xd	+12

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change	Stock	Closing price	Day's change
Ashley (Laura)	186	+5	Courtaulds	260	+2
BOC	316	+3	General Accident	812	+1
Beecham	396	+11	Glaxo	983	+23
Boots	218	+3	ICI	990	+19
Coats Viyella	460	+2	Samuelson Group	180	−40
Commercial Union	306	+7	Unilever	£18	+½

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

	Tuesday August 12 1986: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at 29%)	Est. P/E Ratio (Net)	xd adj. 1986 to date	Mon Aug 11 Index No.	Fri Aug 8 Index No.	Thurs Aug 7 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (213)	679.35	+0.8	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 Building Materials (26)	769.94	+0.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (31)	1232.76	+0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (12)	1779.61	+0.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Electronics (38)	1516.65	−0.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (61)	388.12	+1.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (7)	335.09	+0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (16)	282.55	+2.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (22)	1218.59	+1.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (182)	894.18	+1.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (22)	884.88	+1.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (22)	676.25	+1.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (15)	1807.61	+2.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household Products (10)	1508.75	+1.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (28)	901.53	+0.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31 Publishing & Printing (14)	2463.79	+0.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Packaging and Paper (14)	435.41	+1.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (38)	848.44	+1.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (17)	514.86	+0.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36 Tobaccos (2)	1094.86	+2.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 OTHER GROUPS (88)	746.16	+1.2	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Chemicals (20)	912.42	+1.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Office Equipment (4)	231.46	−0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Shipping and Transport (13)	1449.88	+1.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Telephone Networks (2)	776.47	+1.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Miscellaneous (49)	1011.59	+1.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (483)	809.87	+1.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oil & Gas (17)	1228.64	−0.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX (500)	846.35	+1.1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (117)	584.23	+1.0	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (7)	622.32	+1.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (9)	824.85	+0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (7)	470.62	+0.7	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance (Brokers) (9)	1195.25	+1.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (12)	292.84	+0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (50)	754.23	+0.5	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (23)	331.60	+0.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (101)	751.58	+1.3	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (2)	359.56	−0.4	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (14)	637.66	+0.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (734)	778.54	+1.1	—	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Index No.	Day's Change	Day's High	Day's Low	Aug 11	Aug 8	Aug 7	Aug 6	Aug 5	Year ago
FT-SE 100 SHARE INDEX ♦	1558.2	+15.4	1559.4	1554.2	1542.8	1526.7	1529.9	1540.4	1561.6	1296.1

FIXED INTEREST

PRICE INDICES	Tues August 12	Day's change %	Mon August 11	xd adj. today	xd adj. 1986 to date
British Government					
1 5 years	122.64	+0.14	122.47	—	[illegible]
2 5-15 years	140.99	+0.26	140.62	—	[illegible]
3 Over 15 years	148.81	+0.40	148.22	—	[illegible]
4 Irredeemables	163.99	+0.02	163.95	—	[illegible]
5 All stocks	137.31	+0.24	136.98	—	[illegible]
Index-Linked					
6 5 years	113.92	—	113.92	—	[illegible]
7 Over 5 years	115.71	−0.01	115.73	—	[illegible]
8 All stocks	115.31	−0.01	115.37	—	[illegible]
9 Debentures & Loans	119.57	+0.39	118.91	—	[illegible]
10 Preference	84.50	−0.02	84.52	—	[illegible]

AVERAGE GROSS REDEMPTION YIELDS		Tues August 12	Mon August 11	Year ago (approx.)
British Government				
1 Low Coupons	5 years	[illegible]	[illegible]	[illegible]
2	15 years	[illegible]	[illegible]	[illegible]
3	25 years	[illegible]	[illegible]	[illegible]
4 Medium Coupons	5 years	[illegible]	[illegible]	[illegible]
5	15 years	[illegible]	[illegible]	[illegible]
6	25 years	[illegible]	[illegible]	[illegible]
7 High Coupons	5 years	[illegible]	[illegible]	[illegible]
8	15 years	[illegible]	[illegible]	[illegible]
9	25 years	[illegible]	[illegible]	[illegible]
10 Irredeemables		[illegible]	[illegible]	[illegible]
Index-Linked				
11 Inflat'n rate 5%	5 yrs	[illegible]	[illegible]	[illegible]
12 Inflat'n rate 5%	Over 5 yrs	[illegible]	[illegible]	[illegible]
13 Inflat'n rate 10%	5 yrs	[illegible]	[illegible]	[illegible]
14 Inflat'n rate 10%	Over 5 yrs	[illegible]	[illegible]	[illegible]
15 Debs & Loans	5 years	[illegible]	[illegible]	[illegible]
16	15 years	[illegible]	[illegible]	[illegible]
17	25 years	[illegible]	[illegible]	[illegible]
18 Preference		[illegible]	[illegible]	[illegible]

♦Opening index 1554.3; 10 am 1556.7; 11 am 1555.4; Noon 1555.4; 1 pm 1557.8; 2 pm 1556.9; 3 pm 1558.4; 3.30 pm 1558.5; 4 pm 1557.8.

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 28p.

NEW HIGHS AND LOWS FOR 1986

NEW HIGHS (60)

BRITISH FUNDS (2) Exch 2½pc 1990, Exch 2½pc 1997. AMERICANS (4) Browning-Ferris, FPL Group, Fairmont Financial, Southwestern Bell. CANADIANS (1) American Barrick Res. BANKS (1) Equity & Gen. BUILDINGS (2) HAT, Tay Homes. CHEMICALS (5) Amersham Intl, Engelhard, Perstorp AB B, Schering AG, Thurgar Bardex. ELECTRICALS (3) ASEA AB A, Do. B, Sherwood Computer. ENGINEERING (1) Lee (Arthur). FOODS (3) Dee Corp., Do. 5pc Cnv Ln 2002-07, Wessanen (Kon). INDUSTRIALS (7) Astra AB, Electrolux, Hay (Norman), [illegible], Whampoa, Thomson T-Line, Unilever NV, Worcester. NEWSPAPERS (2) EMAP A, [illegible]. PROPERTY (1) Warnford Inv. TRUSTS (24). PLANTATIONS (1) Grand Central Inv. MINES (3) Brunswick, Highwood Res, Northgate.

NEW LOWS (21)

FOREIGN BONDS (1) Hungary '24 Ass. STORES (3) Benzills, Blacks Leisure, Stormgard. ELECTRICALS (1) Murray Electronics. HOTELS (1) Aberdeen Steak Houses. INDUSTRIALS (7) Brown & Tawse, French (Thomas), Hawley Group, Lep Group, Russell (A.), Stonehill Hldgs, Tinsley (Eliza). LEISURE (1) Media Tech Int. PAPER (2) Good Relations, JWT Group Inc. PROPERTY (1) Rush & Tompkins. SHOES (1) Garner Booth. OILS (1) Ultramar. MINES (2) Musto Explns, New Sabina Res.

BASE LENDING RATES

Bank	%	Bank	%
ABN Bank	10	Exeter Trust Ltd	10½
Allied Arab Bank Ltd	10	Financial & Gen. Sec	10
Allied Dunbar & Co	10	First Nat. Fin. Corp	11
Allied Irish Bank	10	First Nat. Sec. Ltd	11
American Express Bk	10	● Robert Fleming & Co	10
Amro Bank	10	Robert Fraser & Ptrs	10½
Henry Ansbacher	10	Grindlays Bank	10
Associates Cap Corp	10	● Guinness Mahon	10
Banco de Bilbao	10	● Hambros Bank	10
Bank Hapoalim	10	Heritable & Gen. Trust	10
Bank Leumi (UK)	10	● Hill Samuel	§10
Bank Credit & Comm	10	C. Hoare & Co	†10
Bank of Cyprus	10	Hongkong & Shanghai	10
Bank of Ireland	10	Knowsley & Co. Ltd	10½
Bank of India	10	Lloyds Bank	10
Bank of Scotland	10	Mase Westpac Ltd	10
Banque Belge Ltd	10	Meghraj & Sons Ltd	10
Barclays Bank	10	Midland Bank	10
Benchmark Trust Ltd	10	● Morgan Grenfell	10
Beneficial Trust Ltd	11	Mount Credit Corp. Ltd	10
Berliner Bank AG	10	National Bk. of Kuwait	10
Brit. Bk. of Mid. East	10	National Girobank	10
● Brown Shipley	10	National Westminster	10
CL Bank Nederland	10	Northern Bank Ltd	10
Canada Permanent	10	Norwich Gen. Trust	10
Cayzer Ltd	10	PK Finans. Intl (UK)	10½
Cedar Holdings	10	Provincial Trust Ltd	11
● Charterhouse Bank	10	R. Raphael & Sons	10
Citibank NA	10	Roxburghe Guarantee	10½
Citibank Savings	‡10¾	Royal Bank of Scotland	10
City Merchants Bank	10	Royal Trust Co. Canada	10
Clydesdale Bank	10	Standard Chartered	10
Comm. Bk. N. East	10	Trustee Savings Bank	10
Consolidated Credits	10	UDT Mortgage Express	‡10.9
Continental Trust Ltd	10	United Bank of Kuwait	10
Co-operative Bank	*10	United Mizrahi Bank	10
The Cyprus Popular Bk	10	Westpac Banking Corp	10
Duncan Lawrie	10	Whiteaway Laidlaw	10½
E.T. Trust	10	Yorkshire Bank	10
Equatorial Tst Corp plc	11		

● Members of the Accepting Houses Committee. * 7-day deposits 5.69%. 1-month 6.03%. Top Tier—£2,500+ at 3 months' notice 9.72%. At call when £10,000+ remains deposited. † Call deposits £1,000 and over 6¼% gross. ‡ Mortgage base rate. § Demand deposit 5.82%. Mortgage 11%.

LONDON TRADED OPTIONS

Option	Calls Oct.	Calls Jan.	Calls Apr.	Puts Oct.	Puts Jan.	Puts Apr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

August 12. Total contracts 16,725. Calls 11,883. Puts 4,842.

*Underlying security price.

WORLD STOCK MARKETS

AUSTRIA

Aug. 12 | Price Sch. | + or —

[illegible]

BELGIUM/LUXEMBOURG

Aug. 12 | Price Frs. | + or —

[illegible]

DENMARK

Aug. 12 | Price Kr. | + or —

[illegible]

FRANCE

Aug. 12 | Price Frs. | + or —

[illegible]

GERMANY

Aug. 12 | Price Dm. | + or —

[illegible]

ITALY

Aug. 12 | Price Lire | + or —

[illegible]

NETHERLANDS

Aug. 12 | Price Fls | + or —

[illegible]

NORWAY

Aug. 12 | Price Kroner | + or —

[illegible]

SPAIN

Aug. 12 | Price Pta % | + or —

[illegible]

SWEDEN

Aug. 12 | Price Kronor | + or —

[illegible]

SWITZERLAND

Aug. 12 | Price Frs. | + or —

[illegible]

AUSTRALIA (continued)

Aug. 12 | Price Aust.$ | + or —

[illegible]

HONG KONG

Aug. 12 | Price H.K.$ | + or —

[illegible]

JAPAN

Aug. 12 | Price Yen | + or —

[illegible]

JAPAN (continued)

Aug. 12 | Price Yen | + or —

[illegible]

SINGAPORE

Aug. 12 | Price $ | + or —

[illegible]

SOUTH AFRICA

Aug. 11 | Price Rand | + or —

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Kroner.

CANADA

TORONTO

Prices at 2.30pm August 12

Sales | Stock | High | Low | Close | Chng

[illegible]

MONTREAL

Closing prices August 11

[illegible]

F = No voting rights or restricted voting rights

Total Sales 4,567,000 shares

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Stock | Sales (Hnds) | High | Low | Last | Chng

Continued from Page 31

[illegible]

Indices

NEW YORK-DOW JONES

	Aug 12	Aug 11	Aug 8	Aug 7	Aug 6	Aug 5	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Industrials	1,817.91*	1,811.16	1,782.82	1,788.28	1,779.0	1,777.80	1909.03 (2/7/86)	1502.29 (22/1/86)	1909.03 (2/7/86)	41.22 (2/7/32)
Transport	725.75*	721.75	712.88	716.75	709.38	710.89	830.84 (31/3/86)	686.97 (9/1/86)	830.84 (31/3/86)	12.32 (8/7/32)
Utilities	206.19*	205.64	204.80	204.38	203.39	202.95	207.45 (25/7/86)	169.47 (22/1/86)	207.45 (25/7/86)	10.5 (8/4/34)
Trading vol	-	-	108.30m	122.44m	127.51m	153.09m	–	–	–	–

	Aug 1	July 25	July 18	Year Ago (Approx)
Ind Div Yield %	3.82	3.75	3.81	4.52

STANDARD AND POORS

	Aug 12	Aug 11	Aug 8	Aug 7	Aug 6	Aug 5	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Industrials	266.90	266.10	261.67	261.86	261.79	262.21	282.24 (2/7)	224.88 (22/1)	282.24 (2/7/86)	3.62 (30/6/32)
Composite	241.42	240.59	236.88	237.04	236.84	237.03	252.70 (2/7)	203.49 (22/1)	252.70 (2/7/86)	4.40 (1/6/32)

	July 30	July 23	July 16	Year Ago (Approx)
Ind div yield %	3.10	3.07	3.13	3.67
Ind. P/E Ratio	17.22	17.38	17.12	12.03
Long Gov Bond Yield	7.47	7.27	7.11	10.67

N.Y.S.E. ALL COMMON

Aug 12	Aug 11	Aug 8	Aug 7	1986 High	1986 Low
138.81	369.84	136.42	136.42	145.15 (2/7)	117.75 (22/1)

RISES AND FALLS

	Aug 8	Aug 7	Aug 6
Issues traded	1,926	1,936	1,949
Rises	775	869	669
Falls	718	653	868
Unchanged	433	414	412

NYSE-Consolidated 1500 Actives

	Stocks Traded	3.00p.m. Price	Change on Day		Stocks Traded	3.00p.m. Price	Change on Day
Big Three	4,116,700	28¾	+4⅝	Ford Motor	1,194,800	58⅛	+1½
Chrysler	1,364,300	39⅛	+ ½	Hanrmill P	1,076,400	54	unch
Safeway	1,334,100	65½	+ ⅛	N Med Ent	1,009,600	22⅞	+1⅛
IBM	1,251,200	132⅛	+1⅛	ATT	986,400	24	unch
Owens-Corn	1,234,600	78⅛	+ ⅛	United Tec	915,700	44⅛	+1⅝

Advances 1,016 Declines 578

TORONTO

	Aug 12	Aug 11	Aug 8	Aug 7	1986 High	1986 Low
Metals & Minls	2,897.4	2,899.9	2,917.0	1,993.5	2,442.85 (21/3)	1,917.4 (5/8)
Composite	3,035.4	3,041.5	3,017.5	3,004.2	3,129.11 (18/4)	2,754.0 (17/2)
MONTREAL Portfolio	1,517.53	1,517.76	1,501.26	1,500.81	1,623.33 (16/4)	1,386.6 (22/1)

* Indicates pre-close figure

International

	Aug 12	Aug 11	Aug 8	Aug 7	1986 High	1986 Low
AUSTRALIA						
All Ord. (1/1/80)	1149.2	1153.8	1153.1	1150.5	1247.0 (7/5)	1010.8 (2/1)
Metals & Mnls. (1/1/80)	655.7	538.9	533.2	527.7	602.0 (24/3)	481.1 (20/5)
AUSTRIA						
Creditbk Aktien (30/12/8)	233.08	235.24	232.66	234.05	266.64 (28/4)	228.58 (5/3)
BELGIAN						
Brussel SE (1/1/84)	(u)	3787.24	3779.22	3775.52	3787.24 (11/8)	2766.81 (15/1)
DENMARK						
Copenhagen SE (3/1/83)	208.21	206.71	207.14	206.79	250.70 (16/4)	193.69 (6/1)
FRANCE						
CAC General (31/12/82)	388.4	380.4	378.1	373.8	411.3 (15/5)	267.8 (2/1)
Ind Tendance (31/12/82)	148.8	145.5	144.4	142.5	154.3 (12/5)	101.6 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	665.48	665.00	648.46	627.50	753.88 (17/4)	593.82 (22/7)
Commerzbank (1/12/53)	2002.0	2014.0	1952.2	1866.0	2278.9 (17/4)	1762.4 (22/7)
HONG KONG						
Hang Seng Bank (31/7/64)	1805.00	1827.04	1831.29	1820.18	1831.29 (8/8)	1559.94 (19/5)
ITALY						
Banca Comm Ital. (1972)	744.57	738.37	746.76	747.36	908.20 (20/5)	464.67 (24/1)
JAPAN**						
Nikkei (16/5/49)	17794.7	17479.1	17485.53	17422.4	18050.58 (25/7)	12881.5 (21/1)
Tokyo SE New (4/1/68)	1470.02	1437.22	1426.54	1426.42	1470.02 (12/8)	1025.85 (21/1)
NETHERLANDS						
ANP.CBS General (1970)	296.6	283.0	290.4	287.5	296.6 (12/8)	240.4 (8/5)
ANP.CBS Indust (1970)	297.7	294.7	289.8	287.5	297.7 (12/8)	234.0 (5/5)
NORWAY						
Oslo SE (4/1/83)	344.38	340.83	338.70	357.59	402.91 (16/1)	331.81 (4/8)
SINGAPORE						
Straits Times (30/12/66)	780.07	772.71	753.68	765.46	778.89 (23.6)	563.34 (28/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	—	1805.4	1601.6	1498.8	1805.4 (11/8)	1109.1 (21/4)
JSE Indust (28/9/78)	—	1294.9	1274.0	1271.6	1294.9 (11/8)	1019.3 (2/1)
SPAIN						
Madrid SE (30/12/85)	188.17	184.56	185.26	193.10	194.77 (12/5)	100.83 (3/1)
SWEDEN						
Jacobson & P (31/12/58)	2620.52	2561.80	2538.39	2526.74	2620.62 (12/8)	1729.57 (29/1)
SWITZERLAND						
SwissBankCpn (31/12/58)	533.6	523.8	514.4	506.1	626.5 (8/1)	497.2 (4/8)
WORLD						
M.S. Capital Intl. (1/1/70)	337.0	—	332.2	331.2	337.0 (11/8)	249.8 (28/1)

** Saturday August 9. Japan Nikkei (c). TSE (c)

Base value of all Indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

LONDON

Chief price changes (in pence unless otherwise indicated)

RISES		
Exxon 2½% '90	£83¾	+ ¼
Conv. 10% '02	£104⅛	+ ⅝
AE	234	+32
Beecham	396	+11
Bestwood	608	+23
BPCC	276	+10
Comm. Union	306	+ 7
DRG	272	+ 8
Eleco	146	+11
Grand Cent. Invs.	70	+ 4
Guinness	317	+10
Hogg Robinson	310	+ 9
ICI	990	+19
Jaguar	536	+ 6
London Intl.	212	+14
Lucas Inds.	535	+12
Pearson	525	+20
Pentland Inds.	430	+20
RHM	245	+11
Redland	413	+ 7
Taylor Wood	320	+15
Tesco	385	+ 7
Unigate	277	+ 9
Unilever	£18	+ ¼
Warnford Invs.	655	+40

FALLS		
Blacks Leis	4	– 3
Central Nors	428	–40
Samuelson Gp	180	–40
Sons of Gwalia	237	–11
Western Mining	145	– 9

Prices at 3pm, August 12

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	13½	AAR s	.44	2.0	17	239	22	21⅞	22	+⅜
30	21¾	ADT	.92	3.9		163	24	23⅝	23⅞	+⅛
33	11½	AFG s	.08i	.3	16	493	30	29¾	29¾	+⅛
25⅜	13¾	AGS			13	269	18¼	18	18⅛	
15	9⅞	AMCA			269	33	10¾	10⅝	10¾	+⅛
60⅝	37½	AMR			13	3940	51⅜	50½	51⅛	+¼
27½	23¼	ANR pf	2.67	10.		4	26½	25¾	25¾	−¼
12½	8½	APL			6	15	11¾	11⅝	11⅝	+⅛
16¾	10	ARX	.71t	6.7	10	40	10⅞	10⅝	10⅝	
45¾	28¾	ASA	2a	5.8		883	35	34¼	34⅝	−⅞
16⅜	9¾	AVX			27	286	12	11⅝	12	+⅛
32	22⅝	AZP	2.72	9.1	8	5057	29¾	29¼	29¾	+⅜
55	26⅜	AbtLb s	.84	1.6	24	1882	51⅞	51	51⅝	
32	19⅝	AccoWd	.56	2.2	48	109	25¾	25¼	25½	−½
15⅜	9⅛	AcmeC	.40	4.2		105	9½	d9	9½	+⅛
9¼	7	AcmeE	.32b	4.3	18	9	7½	7¼	7½	+⅜
21⅛	17	AdaEx	1.90e	9.0		63	21⅛	20⅞	21⅛	+⅛
33⅜	16	AdmMl	.40	1.3	13	29	29⅞	29⅜	29⅞	+⅜
20⅜	11½	AdvSys	.83t	5.5	14	77	15½	15⅛	15⅛	−¼
32⅞	14⅛	AMD				5422	17	15¾	16¾	+⅛
12⅝	5⅝	Adobe n				43	7⅛	6⅞	6⅞	−¼
18⅜	13¾	Adob pf	1.84	12.		9	15¼	15	15⅛	+⅛
20¼	15¼	Adob pf	2.40	13.		28	18¼	18	18	+¼
18⅜	7⅜	Advest	.12a	.8	11	117	15	14⅞	14⅞	+⅛
68¼	42¼	AetnLf	2.64	4.3	10	3177	61⅞	61⅛	61¾	+⅝
57½	51½	AetL pf	4.28e	8.1		2	52⅞	52⅞	52⅞	+⅛
28¾	9¾	Ahmns	.48	1.7	8	4030	26⅞	26⅜	26⅜	+¼
5¾	2½	Aileen			88	44	4⅜	4¼	4⅜	+⅛
41⅝	25¾	AirPrd s	.80	2.5	59	3288	32½	31⅜	32¼	+⅝
27¾	16	AirbFrt	.60	3.1	17	218	20¼	19½	19½	−½
2⅛	⅜	AlMoan	.60c			55	7-16	13-32	7-16	+1
10¼	7⅜	AlaP dpf	.87	8.7		59	10	10	10	
103½	75¼	AlaP pf	9	9.0		z200	99⅞	99⅞	99⅞	+1
101¼	67½	AlaP pf	8.16	9.0		z120	91⅛	91⅛	91⅛	
91½	68¾	AlaP pf	8.28	9.1		z640	90½	90	90½	+½
26⅛	14¼	AlskAir	.16	1.1	18	273	15⅛	14⅞	15	
25	9⅜	Albrto s	.21	1.2	18	67	17½	17¼	17½	−⅛
23¼	15¾	AlbCul	.21	1.2	17	280	17¼	16¾	17¼	+⅜
49½	26⅞	Albtsn	.84	1.9	16	131	45⅜	45	45¼	−⅛
34⅝	22¾	Alcan	.80	2.6		1845	30⅞	30⅝	30¾	+¼
46¾	32	AlcoStd	.24	3.1	17	153	39½	38⅝	39½	+1
40⅞	26	AlexAlx	1	2.6		1071	38⅛	36⅞	37⅞	+1
47½	22⅞	Alexdr			27	59	39⅛	38¾	38⅞	+¼
102	75½	AlgCp	1.54t	1.6	14	2	97½	97½	97½	−¼
29	25⅝	AlgCp pf	2.86	9.9		1	28¾	28¾	28¾	−¼
28¾	11⅜	AlgInt	.35j	2.0		656	17⅞	16⅞	17¼	+½
19¾	9½	AlgIn pf	2.19	16.		74	14⅛	13⅝	13⅝	−⅛
97⅛	39	AlgI pfC	11.25	18.		57	62¾	60¼	62	+1
50½	28⅛	AllgPw	2.80	5.5	13	1295	u51⅛	50½	50⅞	+⅛
27⅞	16½	AllenGs	.56	3.0	17	64	19¼	18⅞	18⅞	
44½	18½	AlldPd			30	325	43⅜	42	43¼	+2
49½	36¾	AldSgnl	1.80b	4.5		2731	40¼	39¾	39⅞	−½
66	56⅞	AldS pfC	6.74e	12.		3	56⅞	56⅞	56⅞	
114⅜	101½	AldS pfD	12	12.		2	102	102	102	
53½	25⅛	AldStr s	1.16	2.3	14	2677	50½	49⅛	50¼	+⅝
10⅛	4⅞	AlldSup				381	7¼	6¾	6¾	−⅜
6¾	2⅞	AllisCh				301	3⅜	3	3¼	+⅛
40¾	26¾	AlisC pf				5	30¾	30¾	30¾	−⅛
40½	26½	ALLTL	1.96	4.9	12	545	40¼	39⅞	40¼	+⅛
46⅜	31½	Alcoa	1.20	3.3		2575	36⅜	35	36¼	+⅛
16⅝	10½	Amax				951	12⅞	12½	12⅞	+⅜
32¼	16½	AmHes	.27j			1388	19½	18⅞	19⅛	−¼
1⅞	⅝	AmAgr				210	15-16	13-16	⅞	+1-16
31¼	19½	ABakr			13	59	29⅞	29⅝	29⅞	+⅜
105	53¼	ABrand	4.05	4.3	12	1082	93⅞	93⅛	93½	−⅛
34⅝	28	ABrd pf	2.75	8.3		319	33¼	32⅞	33¼	+⅛
29⅜	20⅞	ABldM	.90	3.3	19	39	27¼	26⅞	27¼	+⅝
36⅞	25⅜	ABusPr	.76	2.5	16	33	30⅛	29¾	30⅛	+⅝
88½	50¾	AmCan	2.90	3.3	13	2127	u89¾	87¾	88	−½
24⅞	19⅝	ACapBd	2.20	9.0		52	24⅝	24½	24½	+⅛
32⅞	25¾	ACapCv	2.73e	8.8		3	30⅞	30¾	30⅞	
24¼	18½	ACMR n	.15e	.8	14	73	20¼	20	20	+⅛
7⅞	4	ACentC				4	4	4	4	
82⅞	48⅝	ACyan	1.90	2.3	26	1801	82⅝	81½	82⅝	+⅝
30	19⅞	AEIPw	2.26	7.8	12	2120	29⅛	28¾	29	+¼
70⅛	40⅜	AmExp	1.36	2.2	12	5478	61⅞	61¼	61⅞	+½
36	16⅛	AFaml s	.40	1.2	20	526	33¾	33⅜	33¾	+½
44⅜	27¼	AGnCp	1.12	2.8	11	2154	41	40⅛	40⅝	
23	10¼	AGnl wt				313	20	19½	20	−⅛

Continued on Page 31

NYSE COMPOSITE PRICES

Continued from Page 30

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
72¾	45¾	Xerox	3	5.4	17	2127	56	55⅝	55¾	+ ⅜
58¼	58½	Xerox pf5.45		9.5		228	57⅛	57	57⅛	+ ¼
28¾	20⅝	XTRA	64	2.7		93	23⅞	23⅝	23⅝	− ¼
17⅝	13½	YorkIn n				76	15⅝	15⅜	15⅜	+ ⅛
39	26¼	ZaleCp 1.40		3.9		31	36	36	36	
9½	3½	Zapata .03j				186	4⅛	4	4	− ⅛
43⅞	29⅞	Zayre s	32	1.1	17	1622	28⅛	27¾	27⅞	− ⅛
17	11	Zemex	.40	3.6	11	1	11	11	11	
29⅞	16¼	ZenithE				439	23⅞	23¾	23⅞	− ⅛
18¼	8⅝	ZenLb s			28	1089	10⅞	10⅝	10⅞	+ ¼
22⅜	14⅝	Zero s	.29	2.0	15	182	14⅞	14½	14¾	+ ⅜
45¾	32¾	Zurnin 1.32		3.5	14	77	37½	37⅛	37½	+ ⅜

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months. estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, August 12

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

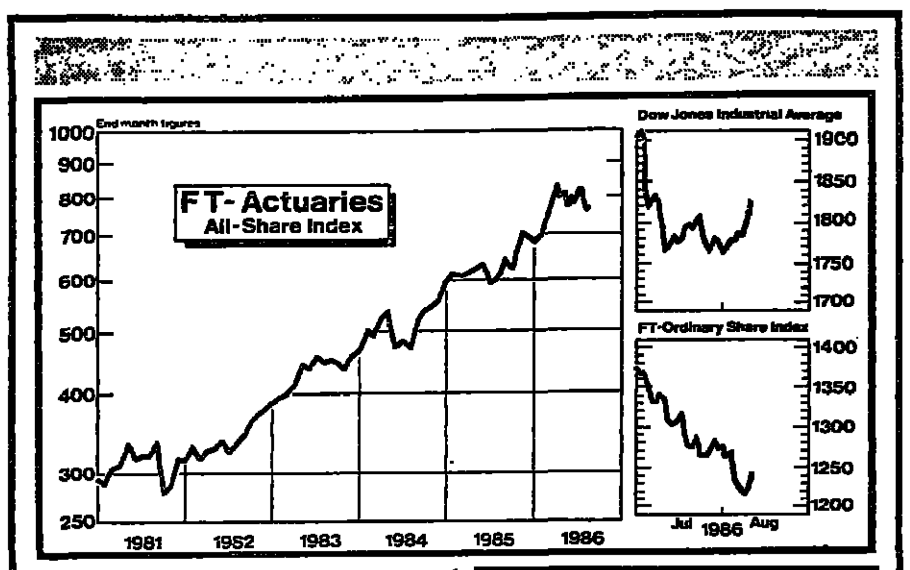
OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Continued on Page 29

FINANCIAL TIMES
WORLD STOCK MARKETS



STOCK MARKET INDICES

NEW YORK	August 12	Previous	Year ago
DJ Industrials	1,820.44*	1,811.16	1,314.29
DJ Transport	727.88*	721.75	675.21
DJ Utilities	206.06*	205.64	154.95
S&P Composite	242.06*	240.68	208.85
LONDON			
FT Ord	1,242.0	1,228.7	959.6
FT-SE 100	1,558.2	1,542.8	1,288.1
FT-A All-share	770.54	779.70	620.62
FT-A 500	846.28	836.90	677.13
FT Gold mines	232.9	238.0	343.5
FT-A Long gilt	9.51	9.56	10.2
TOKYO			
Nikkei	17,794.69	17,479.11	12,372.9
Tokyo SE	1,470.02	1,437.22	999.13
AUSTRALIA			
All Ord.	1,149.2	1,153.9	949.7
Metals & Mins.	535.7	538.9	547.8
AUSTRIA			
Credit Aktien	233.03	233.24	178.58
BELGIUM			
Belgian SE	n/a	3,787.24	2,319.11
CANADA			
Toronto			
Metals & Minls	2,097.4*	2,099.9	2,070
Composite	3,035.4*	3,041.9	2,776.0
Montreal			
Portfolio	1,517.53*	1,517.76	135.93
DENMARK			
SE	206.21	206.71	212.98
FRANCE			
CAC Gen	383.40	380.40	217.5
Ind. Tendance	146.80	145.50	80.3
WEST GERMANY			
FAZ-Aktien	665.48	665.00	478.30
Commerzbank	2,002.00	2,014.00	1,407.1
HONG KONG			
Hang Seng	1,905.00	1,927.04	1,699.43
ITALY			
Banca Comm.	744.57	739.37	357.43
NETHERLANDS			
ANP-CBS Gen	296.60	293.00	214.8
ANP-CBS Ind	297.70	294.70	188.4
NORWAY			
Oslo SE	344.39	340.83	340.94
SINGAPORE			
Straits Times	780.07	772.71	751.86
SOUTH AFRICA			
JSE Golds	–	1,605.4	924.4
JSE Industrials	–	1,294.9	940.5
SPAIN			
Madrid SE	186.17	184.36	81.41
SWEDEN			
J & P	2,620.62	2,561.90	1,346.42
SWITZERLAND			
Swiss Bank Ind	533.60	523.80	457.5
WORLD	Aug 11	Prev	Year ago
MS Capital Int'l	337.0	332.2	217.3

GOLD (per ounce)

	August 12	Prev
London	$384.25	$387.00
Zürich	$384.50	$389.50
Paris (fixing)	$381.27	$384.25
Luxembourg	$387.00	$383.00
New York (Dec)	$392.40	$398.50

CURRENCIES

(London)	US DOLLAR Aug 12	Previous	STERLING Aug 12	Previous
$	–	–	1.4845	1.4865
DM	2.0775	2.0605	3.085	3.0625
Yen	154.70	153.75	229.5	228.5
FFr	6.7525	6.69	10.025	9.945
SFr	1.6790	1.6560	2.4925	2.4625
Guilder	2.3410	2.3210	3.475	3.45
Lira	1,422	1,416	2,111	2,105
BFr	42.85	42.65	63.60	63.40
C$	1.3895	1.3855	2.0630	2.0620

INTEREST RATES

Euro-currencies (3-month offered rate)	Aug 12	Prev
£	9¾	9 11/16
SFr	4⅝	4⅞
DM	4 9/16	4⅝
FFr	7⅝	7⅞
FT London Interbank fixing (offered rate)		
3-month US$	6⅝	6 7/16
6-month US$	6 9/16	6 7/16
US Fed Funds	6⅜*	6⅝
US3-month CDs	6.00*	6.325
US3-month T-bills	5.60*	5.82

COMMODITIES

(London)	Aug 12	Prev
Silver (spot fixing)	365.20p	371.75p
Copper (cash)	£884.00	£886.50
Coffee (Sept)	£1,777.50	£1,866.50
Oil (Brent blend)	$13.90	$13.325

US BONDS

Treasury		August 12 Price	Yield	Prev Price	Yield
6⅞	1988	100 15/32	6.45	100	6.625
7¼	1993	100 23/32	7.095	100 14/32	6.801
7¼	1996	100 20/32	7.237	100 29/32	7.25
7¼	2016	98 27/32	7.345	98 19/32	7.35

Source: Harris Trust Savings Bank

Treasury Index Maturity (years)	Return index	Aug 12* Day's change	Yield	Day's change
1–30	155.56	+0.19	7.11	−0.02
1–10	147.76	+0.11	6.86	−0.02
1–3	138.53	+0.07	6.51	−0.02
3–5	150.18	+0.13	7.01	−0.02
15–30	183.22	+0.01	7.93	+0.00

Source: Merrill Lynch

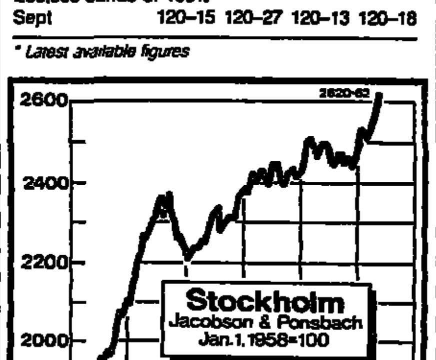
Corporate	August 12 Price	Yield	Prev Price	Yield
AT & T				
3⅞ July 1990	91.5	6.5	90.82	6.60
SCBT South Central				
10⅞ Jan 1993	108.25	9.573	106.873	9.45
Phibro-Sal				
8 April 1996	98.018	8.30	98	8.302
TRW				
8⅞ March 1996	102.589	8.35	99	8.907
Arco				
9⅞ March 2016	105.5	9.324	105	9.372
General Motors				
8⅝ April 2016	92.5	8.942	91.5	8.945
Citicorp				
9⅝ March 2016	98.75	9.501	98	9.579

Source: Salomon Brothers

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	99-22	100-12	99-17	99-27
US Treasury Bills (IMM) $1m points of 100%				
Sept	94.52	94.59	94.52	94.49
Certificates of Deposit (IMM) $1m points of 100%				
Sept	n/a	n/a	n/a	93.99
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	93.70	93.67	93.72	93.64
20-year Notional Gilt £50,000 32nds of 100%				
Sept	120-15	120-27	120-13	120-18

* Latest available figures



WALL STREET

Caution as rate cut hopes fade

THE REJECTION of hints in Washington and Frankfurt that global interest rates would be cut forced a more cautious mood on Wall Street yesterday, *writes Terry Byland in New York.*

At 3pm the Dow Jones industrial average was up 9.28 at 1,820.44.

A rally in airline issues lifted the Dow transportation average, and the Dow utilities average was firm on interest-rate hopes.

Professional traders appeared somewhat sceptical of the sudden upsurge in the stock market on Monday. Investors seemed ready to sell stock into the rally, and analysts forecast that the recovery in the Dow was unlikely to go much further unless there was a new development in global interest rates.

The major market indices were again helped by firmness in the Detroit motor stocks, which were recommended this week by an analyst at First Boston. Ford was most favoured, adding a further $1⅜ to $58 in brisk turnover.

General Motors, attracting mixed press reviews of its recent progress, put on only $⅛ to $71⅞. At $39½ Chrysler gained $¾.

Technology stocks looked less sure of themselves as a bearish report on microchip orders from the Semiconductor Industry Association took the shine off Motorola, down $¼ at $39¾, Texas Instruments, $⅞ off at $111½, and National Semiconductor, down $¼ at $9⅝.

Among the computer mainframe manufacturers IBM, also meeting mixed reviews in the investment press, edged up $⅝ to $131⅝. But profit-takers moved in on Digital Equipment, still Big Blue's nearest rival until the new Sperry-Burroughs merger comes on stream, trimming the stock price by $⅞ to $95⅞. Burroughs at $70⅜ added $½, and Honeywell gained $⅝ to $65¼.

A batch of trading reports from the nation's retailers, headed by J. P. Penney with record second-quarter operating profits, had little effect on the stocks. Penney held unchanged at $77¼, and others reporting progress included Woolworth, $¾ up at $41½, Limited, of Ohio, up $¼ at $30⅝, and Wal-Mart, up $½ at $45¼.

The excitement in the precious and base metal mining issues died down somewhat, with Asa, the closed-end gold mining investment trust, shedding $⅝ of its gain to $34⅞ and Homestake Mining down $1 at $24⅛. Others to turn off included Campbell Red Lake, down $1⅛ at $18⅝, and Newmont Mining, $2⅛ off at $52½.

Interest-rate sensitive stocks continued to respond to Wall Street's conviction that rates have further to fall. The best gains came in insurance where Aetna Life & Casualty gained $⅝ to $61⅜, General Re-insurance jumped $2¼ to $65¼ and American International $3¼ to $138¼.

Banking stocks were mostly firm again, led by Citicorp, $¼ up at $47, and Chase Manhattan, up $¼ at $40⅞. The weak spot again was BankAmerica, down another $⅜ at $12⅝, barely $⅝ above the all-time low as Wall Street pondered the sudden departure of the chief financial officer, after only three months in office.

Special situation stocks provided many features. Owens-Corning Fiberglas at $79¼ rose $1, well clear of the $74-a-share offer from Wickes which the Owens board is opposing.

The board plan to buy in 10m shares stoked up National Medical by $1¼ to $22⅞. Big Three Industries gained $5⅜ to $29½ as the market awaited a promised clarification of the disclosure of talks with another company on a possible material transaction.

International Paper held steady at $64 after its $1.08bn offer for Hammermill Paper, also unchanged at $64. International is offering $64 a share against the $57 from Mr Paul Bilzerian's group, which Wall Street expects to drop out of the fight.

Other scattered features included Quaker Oats, up $1⅛ at $82¼ on sharply higher profits and plans to sell its speciality retailing business. Parker Hannif in at $23¾ added $1, also on good profit figures.

In the credit markets Treasury bill rates edged higher despite federal funds at 6 5/16 per cent. Three-month Treasury bill rates dipped four basis points to 5.60 per cent. The bond market opened a shade easier but then steadied as the Federal Reserve Bank intervened with $1.5bn in customer repurchases. The bond market was unwilling to abandon its hopes that the US and West Germany would co-ordinate reductions in their respective interest rates.

EUROPE

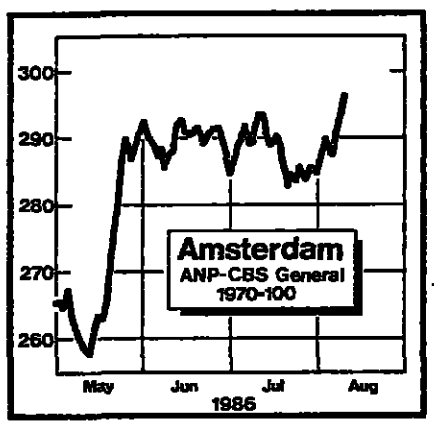
Stockholm, Amsterdam hit peaks

REKINDLED HOPES of lower interest rates paved the way for a fresh pair of records on the European bourses yesterday.

Stockholm reached a peak in heavy trading triggered by the growing belief that world interest rates might be cut in a concerted move by central banks and the hope that relatively high domestic rates would be cut by a proportionally higher amount.

Institutional buying, backed by strong overseas demand, concentrated on blue chips with leading car maker Volvo SKr 1 higher at SKr 407 and electrical appliance group Electrolux SKr 2 ahead at SKr 307.

Ericsson continued to find buyers and jumped SKr 5 to SKr 227 while leading pharmaceutical group Astra gained SKr 10 to SKr 705. Pharmacia closed SKr 3 higher at SKr 210 while Fermenta, one of the few issues to lose ground, slipped SKr 1 to SKr 145 ahead of the board meeting this week to discuss the Montedison takeover.



The Veckans Affarer all-share index breached the 900 barrier with its 9.6 jump to 895.1 on one of the highest turnovers of the year of SKr 565m, compared with Monday's SKr 321m.

Amsterdam also broke new ground with its 3.3 rise in the ANP-CBS General index to 296.6. An early advance, on the strength of the firmer tone in West German credit markets and the overnight showing on Wall Street, was extended with the better-than-expected profits for Unilever, up Fl 6.50 at Fl 512. The broad market turned off its highs in late trading.

Hopes of interest rate cuts, galvanised by the Volcker trip to West Germany, continued to underpin sentiment, with steady Swiss and British buying detected.

Philips, due to report second-quarter results today, lost Fl 1 to Fl 50.80 while KLM, expected to report tomorrow, closed 30 cents higher at Fl 49.50.

Bond prices stabilised although the CBS bond index hit a new peak with a 0.1 gain to 118.2 with the average yield on Dutch state bonds down to a record low of 5.94 per cent from Monday's 5.96 per cent.

Frankfurt was subjected to a mild dose of profit-taking which trimmed 12.5 points off the Commerzbank index's recent dramatic gains to 2,002.0. Sentiment is described by many brokers as fundamentally bullish, however, partly due to hopes that the Bundesbank will move soon on rates.

VW resisted the late technical downturn in a mixed car sector with its DM 9.40 gain to DM 513 while BMW was DM 7.50 higher at DM 538.50 ex-dividend and Daimler, which announced details of its new car plant, dropped DM 3.50 to DM 1,243 after showing an early gain of DM 8.

Stronger first-half profits failed to help Veba which lost 50 pfg to DM 279.50.

Deutsche Bank, which forecast West German economic growth of about 3 per cent for the second half, edged DM 1.30 down to DM 825.70 in a slightly firmer banking sector.

Recently listed sports goods maker Puma surged again with a DM 105 gain to DM 1,040.

Bond prices firmed although overseas demand was inhibited by the stronger dollar. The Bundesbank bought DM 41.3m of paper compared with Monday's sale of DM 69.1m.

The central bank also announced the acceptance of DM 10.1bn in a 28-day repurchase agreement at a 4.35 per cent rate. The new pact partially replaces DM 14.5bn in existing repurchases agreements, also set at 4.35 per cent.

Paris made modest progress in quiet trading, with construction issues again featuring. **Brussels** closed firm, **Zurich** was actively higher and **Milan** advanced in thin trading. **Madrid** rallied, and **Olso** turned quiet.

LONDON

REVIVED interest-rate hopes provided the impetus for London equity markets yesterday as strong buying in gold and platinum-related issues petered out.

Further encouragement was derived from the strong overnight performance on Wall Street and the better-than-forecast profits of Unilever, up £¼ at £18. Other strong points were Pearson, 20p higher at 525p, ICI, 19p up at 99p, and Commercial Union, 7p ahead at 306p.

The FT Ordinary index added a further 13.3 points to 1,242.0, a two-day gain of over 24 points, while the FT-SE 100 rose 15.4 to 1,558.2.

Gilts were also confident, with longs nearly a point higher and shorts rising on light demand.

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AUSTRALIA

AN EASIER trend emerged in Sydney with the market dragged down by a sharp turnround among leading gold stocks and a weakening in the industrials sector.

The All Ordinaries index was 4.5 easier at 1,149.4 while the gold index fell 14.6 to 1,138.1 after peaking at around 1,180.

Brokers expressed surprise at widespread late selling of gold stocks after a strong rally during the morning. The downturn was attributed to renewed speculation about the imposition of a gold tax and reports that the US might sell some of its gold reserves to counter any gains that South Africa may reap from the metal's shortage.

Central Norseman fell 50 cents to A$10.40 and Kidston 10 cents to A$2.90. Barrack firmed 30 cents to A$6.40, and Sons of Gwalia put on 16 cents to A$5.86 after peaking at a record A$6.

HONG KONG

A SHARPLY lower performance was seen in Hong Kong as the market consolidated after last week's rally. The Hang Seng index shed 22.04 to 1,905.

Analysts expect the index to dip below the 1,900 level before any further rally occurs' and that is unlikely before the announcement of Hang Seng Bank's interim results for 1986, which are scheduled to be announced on August 22.

Among leaders Cheung Kong fell 40 cents to HK$24.10, Swire Pacific 30 cents to HK$13.50, Hutchison Whampoa 24 cents to HK$33.25 and Jardine Matheson 20 cents to HK$15.10.

China Gas fell 20 cents to HK$16.70, despite market speculation that the company would be a target of hostile takeover moves.

SINGAPORE

OPTIMISM generated by promising economic statistics underpinned solid purchases of Singapore blue chips by foreign institutions and local private investors which took the Straits Times industrial index up 7.36 to 780.07.

Malaysian stocks were, however, out of favour after reports that Malaysia's Bank Negara had suspended 23 deposit-taking co-operatives.

Market leader Singapore Airlines was the most actively traded issue, adding 5 cents to S$7.40. Among other active stocks, QAF gained 4 cents to S$1.05 and Haw Par 6 cents to S$3.18.

TOKYO

US gains trigger upsurge

THE OVERNIGHT surge on Wall Street sparked a spate of buying in Tokyo which drove prices sharply higher, with the Nikkei market average posting the second-largest rise on record, *writes Shigeo Nishiwaki of Jiji Press.*

The index gained 315.58 to 17,794.69. Volume swelled to 830m shares from Monday's 399m, with advances exceeding declines by 533 to 320 and 107 issues unchanged.

Japanese investors speculated that prices would continue rising on stock markets worldwide following the upturn in New York, which saw the Dow Jones industrial average regain the 1,800 mark, and the strong performance in Frankfurt, both bolstered by expectations of concerted interest-rate cuts by the leading industrial nations.

In Tokyo heavy electricals, utilities, steels, shipbuildings and other large-capital stocks were in demand.

Toshiba topped the active list with 71.75m shares changing hands and rose Y4 to Y567. Nippon Kokan was the second-highest with 50.44m shares traded, advancing Y9 to Y242. Ishikawajima-Harima Heavy Industries gained Y16 to Y409, and Nippon Steel added Y6 to Y198.

But the recently selected Mitsubishi Heavy Industries fell Y1 to Y540 although it was the fourth most active stock with 43.92m shares.

Tokyo Gas, third with 48.45m shares, jumped Y43 to Y835, and Tokyo Electric Power soared Y280 to a record Y6,150, surpassing the previous peak of Y6,090 reached on August 5.

Among issues which stand to benefit from domestic demand expansion, constructions fared well. Ohbayashi added Y39 to Y817 and Kajima Y55 to Y1,050.

Assets-heavy stocks and real estates attracted strong buying interest. Nippon Express added Y80 to Y1,130, Mitsubishi Estate Y120 to Y2,230 and Mitsubishi Warehouse Y50 to Y1,380.

Lagging synthetic fibres and cotton spinners performed strongly, with Teijin gaining Y25 to Y563 and Kanebo Y17 to Y552.

Securities houses remained in the spotlight. Nomura Securities rose Y130 to Y3,040, topping Y3,000 for the first time. Daiwa jumped Y100 to Y1,960 and Hamaichi Y230 to Y1,750.

Financial issues rose on a wide front. The Industrial Bank of Japan closed Y100 higher at Y2,150 while Tokio Marine and Fire Insurance finished at Y1,510, up Y110.

Kokusai Denshin Denwa (KDD) became the first Japanese stock to exceed Y40,000 reaching Y41,200, up Y1,400. Toho put on a sharp Y1,300 to Y24,000 and Japan Air Lines Y200 to Y10,900.

Bond prices firmed in response to the futures market's rise, again touched off by rumours that Japan, the US and West Germany might lower official discount rates concertedly in September.

The yield on the benchmark 6.2 per cent government bonds, maturing in July 1995, ended at 4.675 per cent, unchanged from the previous day. The yield on the 5.1 per cent bonds, falling due in June 1996, declined to 4.970 per cent from Monday's 4.990 per cent.

CANADA

SLUGGISH trading left most sectors lower in Toronto as golds weakened and mines lost ground.

Oils resisted the lower trend, with Texaco Canada adding C$¼ to trade at C$26⅝ and Shell up C$⅜ to C$21⅞ as it raised posted crude oil prices.

Canadian Pacific was unchanged at C$15⅝ among the actives while Dome Petroleum dropped 14 cents to C$1.26

In Montreal mining and utility issues dragged the market lower.

SOUTH AFRICA

A TECHNICAL correction, triggered by the steadying of the bullion price, trimmed recent gains in Johannesburg.

Vaal Reefs fell back R12 at R307, after hitting R322 on Monday, while Grootvlei lost 85 cents at R13.15. Platinums mirrored gold's fortunes, with Impala down R2.75 at R54.50.